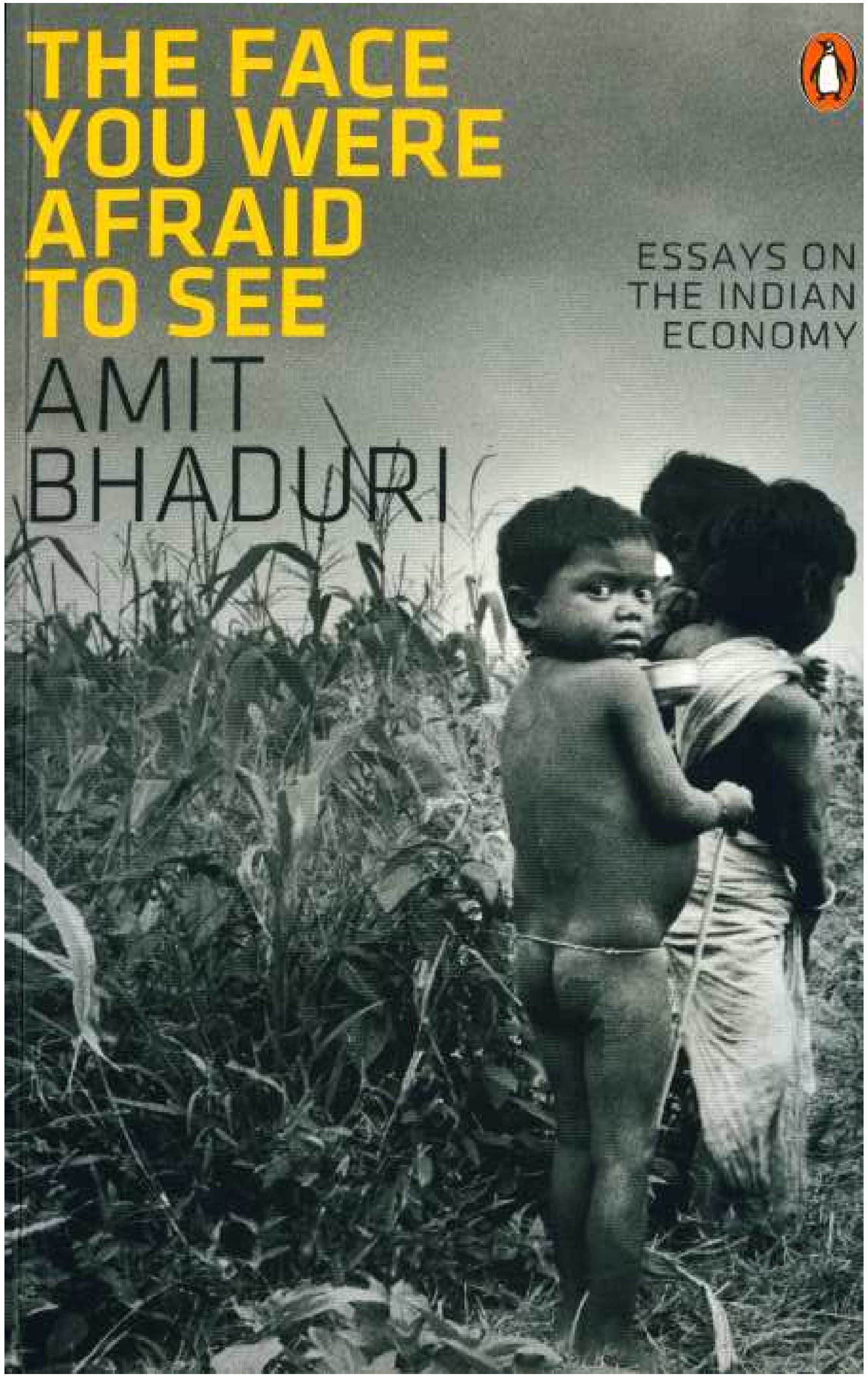
THE FACE YOU WERE AFRAID TO SEE

ESSAYS ON THE INDIAN ECONOMY

AMIT BHADURI



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Introduction

On Neoliberalism, the Democratic State and Corporate-led Globalization

History is not merely unpredictable. It has almost a magical quality about it to create illusion that takes at times bewilderingly strange turns. In the words of T.S. Eliot, 'history has many cunning passages'. Along any such passage, we might hope to travel in one direction, only to end up travelling in the opposite direction, and the irreversibility of time would prevent us from returning even to our initial position to correct the mistake.

The eight essays collected together in this volume are written with an uncomfortable feeling that despite some apparent symptoms of health,

a serious illness is spreading fast through the economy and polity of India. We have indeed entered one of those cunning passages of history under the illusion that rapid economic growth at any cost will soon take us to a land of prosperity without poverty, indeed high rate of growth in output is synonymous with the development of the country and its people; that if high economic growth can somehow be sustained for a reasonably long period, economic development would follow automatically as its byproduct.

Grand historical illusions of this kind can either be unintended or intended delusion. In the latter case they are crafted carefully and orchestrated by several interested sections of the society to mislead the wider public. The manufacture of such illusions has usually been the main job of political leaders who remain leaders so long as the illusion lasts. More often than not, the illusions are created to help big business, and big business naturally helps in turn with big money and their control over the media to further the illusions. A mutually beneficial symbiosis develops between big business and political leadership which has become a defining characteristic of our democracy.

It is not by accident that the number of 'crorepatis' as members of parliament jumped from 128 to 300 in the last general election of 2009 with the winning as well as the losing parties having almost no significant difference in this respect (according to the Association for Democratic Reforms).

The educated middle class also plays a crucial role in this grand orchestra of creating illusions. As opinion makers and image builders, the men and women in print and electronic media, learned experts from the academia and the so-called intelligentsia help this process in no small measure. They themselves might or might not share the opinions they propagate, but as 'practical' men and women they did not have to read or remember Voltaire's warning that 'it is dangerous to be right in matters on which the established authorities are wrong'. It is even more wrong, they know, when the pay cheques depend on the corporations and their advertisements! So it becomes a matter of convenience, an arrangement of mutual advantage all around with fairly predictable outcomes. The population at large gets divided between those who suspend reason willingly as a matter of

convenience, and those who accept the illusion until reality forces them to wake up. In this way our acclaimed democracy functions with its usual routine of election victories and defeats, speeches from politicians that would have sounded sincere only if one did not have a long enough memory to remember what they said yesterday, and the miraculous growth of prosperity of the political class along with many billionaires mushrooming in business in a very poor country supported by a talented cast in the background playing the orchestra to keep up the illusion.

This would indeed be a wonderful party, the best game in town to join, if only the majority was not left out. However, the rules of the game are so designed that the majority of our citizens have to be left out, or are accepted at best only marginally and temporarily in times of elections. Their temporary participation hardly seems to matter, reminding one of the saying, 'the more things change, the more they remain the same'. Political parties and leaders of various descriptions come and go but lack of hope for a better life for the majority, subhuman poverty and destitution persist unabated. The reason is not far to seek.

We can now confirm it from our experiences with various political parties that have been elected to power in the different states of our federal democracy in recent years. They all provide political labels of different colours with basically the same economic content, but packaged cynically in different political jargons. We have been gradually forced to accept the fact that none of the existing political parties has the capability, perhaps not even any serious intention of bringing economic democracy closer to political democracy for the majority of our citizens. So the grand illusion of economic development for the majority has to continue only to legitimize the system.

It would be foolish to think that most poor people are fooled. The harrowing experiences of daily life and grinding poverty hardly let them ever forget what the political system has so far delivered to them. And yet, the masses still vote, knowing fully well that they would continue to be ruled by the same class. They vote perhaps because it gives them a sense of temporary power, perhaps at times they experience some passing benefits of populist gestures. But the poor do not expect any longer term solution. The poor

are not manipulated easily by the grand illusory world of future prosperity created by the joint enterprise of politicians, big business, media and intelligentsia because life experience teaches them otherwise. Nevertheless they join a largely hollow democratic process which promises no solution to their problems, but might accentuate them if wrong choices are made. Increasingly in different parts of India they are involved in controlling the damage which elected political parties can inflict on them in the name of development. They choose that particular political party which, at least for the time being, seems likely to inflict less damage by dispossessing them of their home, land and livelihood in the name of development, or perpetrating communal violence in the name of building a national culture. From the point of view of the ruling classes, developmental politics in our democracy has been reduced to a calculation of how to maximize for themselves the benefits of development irrespective of what happens to the poor majority. From the point of view of the poor classes too it is a calculation of how to minimize the damages caused to them in the name of development.

It is a game from which there is no escape, a game that has to be played with utmost seriousness by both parties for survival. It is played for wealth and power by the ruling classes because their right to rule depends on it. For the ruled masses too this is a game of physical survival that might turn deadly—a question of life and death if the wrong choice is made.

This game, as it is being played out in India today, is unusually complex for two reasons. First, the rules of the game and the real intentions of the state in making the rules are seldom made transparent. They become transparent only when they are questioned and fiercely contested by the people. Mere legal provisions and declaration of rights seldom tell the truth, particularly when dealing with the poor; instead, they typically mislead. Deciphering what these rules actually are and how they operate on the ground for the majority of our citizens becomes possible in India today only through active participation in various forms of people's struggles for the rights they are legally supposed to enjoy, but do not enjoy in practice. There is yet another factor contributing to the complexity of this game. It

is related to the enormous variations among different regions of the country, not only in their current economic situation and natural resource endowment, but also in their social, cultural and political history and tradition which influence deeply the character, sensitivity and strength of the civil society.

It is common knowledge that laws are not uniformly applied and rights are not uniformly respected in different parts of the country or for different sections of the population. These regional variations in the civil society movements in turn condition the strategies adopted by the federal and the state governments, by big business as well as the ordinary people whose life would be affected strongly by them. Social, political and economic processes fuse into geographical differences in India in a complex way to shape the actual course of the developmental politics practiced by the state, the counter-response of peoples' movements and the reactions of the state. The result is a bewildering variety of these million mutinies, some transient others persistent, bearing perhaps their regional marks and yet striving for a greater common cause of a more

just society for the poor and the marginalized. It is not a mere show of multi-party parliamentary democracy; rather it is the combined force of many such grassroot movements which would be capable of changing the course of our politics over time. At present this grand drama can only be glimpsed by travelling across India, especially in the remote countryside, each with its own story to tell. It is giving a new meaning to the cliché of 'unity among diversity' among our people which comes neither from cultural nationalism, nor from corporate-led industrialization, but rather from people's resistance to them.

The essays in this volume were motivated by an attempt to understand more clearly the economic and political aspects of this grand drama being played out in India today. Although I have often been inspired by many specific instances of peoples' movements, these essays are of a more general character. They search for a more general understanding, instead of documenting in detail particular instances. The first essay, 'The Failed World View', explains how economic theory maintains the form of an academic discipline, and becomes in content a

powerful ideology in the service or the ruling classes. It was written at a time the first signs of the current economic crisis were becoming visible. There is an important omission in this essay in so far as it focused on the real economy, but did not deal adequately with the financial sector which triggered off the crisis in the United States. For the sake of completeness, it should be mentioned here that the idea of a self-regulating market mechanism that requires no government intervention or supervision was extended easily to the financial sector by academic economists (not surprisingly, some were awarded the Nobel Prize in economics for this too). It claimed in essence that the financial market processes most efficiently all available information to generate the prices of assets which guide the behaviour of financial markets, and the government has no additional information to improve upon the performance of the price mechanism. It amounts to saying that the market is the most efficient institution and knows better than any other economic agent. (The current chairman of the Federal Reserve System, not long before he took over as the chairman, had argued in a lecture

on this basis against intervening in the housing market bubble. Our Reserve Bank too hired consultants from universities in the United States (Chicago) to write reports in favour of capital market liberalization on the same ground.)

The second essay, 'Developmental Terrorism', points out the many ways in which the state practices terrorism on the poor in different parts of the country in the name of development. It has often been said that a totalitarian state without democratic accountability terrorizes sections of the population to serve its objective of forced industrialization, nation building or simply to crush the democratic aspirations of the people. In our democracy, terrorism is practised increasingly with the sole purpose of enriching big business, but under the guise of industrializing and modernizing the economy. And, what is worse, it happens with the support of the media and the middle class. This essay was written to put the accounts straight.

The next essay, 'Predatory Growth', was motivated by a puzzle I faced while analysing the nature of India's high growth performance in recent years. This pattern of growth is leading to

a steady worsening of the distribution of income with some three-fourths of the population having abysmally low purchasing power, and imports exceeding exports implying the net foreign market is not expanding either. The economic puzzle I was confronted with was of how market demand is maintained for the various goods and services produced in the course of our high rate of economic growth. The essay addresses this question and shows how India's high growth has been sustained by an expanding market maintained by creating a mutually reinforcing mechanism between higher rate of economic growth and rising inequality of income. This growth process is creating its own demon, a rich to middle class increasingly detached from the poor majority of the country, and with no stake in their development. This is the face our middle class is afraid to see in the mirror.

The essay 'Labour and Industrialization' addresses indirectly the vexed question of the role of trade unions in organized industries as special interest groups. I do not accept the usual argument of labour market flexibility or the charge of narrow economism usually levelled

against trade unions. Labour market flexibility is a flawed argument unless the government and the private sector can be shown to generate sufficient employment elsewhere in the economy. And there is no reason why trade unions should not claim higher wages when profit of the corporate sector boomed in recent years of liberalization. The real issue is the accountability of trade unions to society, because without wider social support they are imprisoned to act as narrow interest groups. The essay argues trade unions need to become more sensitive to the nature of industrialization, mineral resource extraction and land acquisition, especially in tribal areas, which enormously raise corporate profits. The unions would be acting simply as a privileged interest group in sharing this profit, if they refuse to act in solidarity with the poor in resisting the type of industrialization that raises corporate wealth and profit by dispossessing the poor.

The essay 'Economic Openness' takes farther many of these arguments made in the earlier essays by placing them in the context of globalization. In particular, it analyses the concept of economic efficiency and international competitiveness in

the context of globalization. It is meant to act as an antidote to those superficial and motivated pronouncements of established authorities that higher growth and higher efficiency through integration with the world economy are all that we need to reach the promised land.

The remaining three essays, 'Alternatives in Industrialization', 'Imperative as Alternative' and 'The State and its Stepchildren' outline in stark schematic terms the possibilities for a more humane development which is well within our reach. I maintain it is based on both reasonable economics and feasible politics.

These essays were written both to help myself and others involved in various peoples' movements by clarifying certain issues that repeatedly arise in the resistance against the unjust 'development' that is going on today. Understanding these issues also entails paving the way to an alternative and just development. In this respect intellectual work is useful in so far as it helps us to understand the present to shape the future. We need to imagine alternatives beyond conventional wisdom because the conventions of wisdom are loaded in favour of the privileged

and the rich; indeed they present it as the only wisdom. The purpose of intellectual work is to shatter that conventional wisdom biased against the poor, and imagine feasible alternatives that would show the direction in which we must move.

Amit Bhaduri
July 2009

A Failed World View

There is a badly kept secret among economists that needs to be shared with non-economists. Economic theory, insofar as it consists of results derived logically from clearly stated premises, is mostly precautionary knowledge, warning against unfounded economic propositions. Very rarely is it positive knowledge for guiding policy. There is an even more fuzzy area of economic knowledge which infers from quantitative data through statistical techniques and historical analogies. Such knowledge is even more tentative, yet is essential in a subject like economics, where controlled experiments are impossible. With data generated

over time subject to observational error, bias and random shock, we would do well to remember the saying of the Greek philosopher, Heraclitus, a rough contemporary of the Buddha: 'It is never possible to step into the same river twice.'

As a body of inexact knowledge, economics requires us to be intellectually modest, and that leaves little room for inflexible views. And yet exactly the opposite happens. Driven by ideology or vested interest, politicians, captains of industry, media people, spokespersons of chambers of commerce, labour unions and even academic economists posture with absolute confidence, often misleading the public, and then conveniently change their stance with the changing situation. Flexibility in views is necessary in economic policy-making but only if one is willing to learn honestly from one's past mistakes. The problem with politicians who suddenly change their views is that they change their posture but not their ideology. Their interests remain the same. Otherwise how can we explain Prime Minister Manmohan Singh talking in 2008 of insulating India and how he foresaw the current financial crisis eighteen months ago, when on 18 March

2006 he told a global audience that the Reserve Bank of India would prepare a roadmap on full capital account convertibility to integrate the Indian financial system completely with the global capital market. And even now he talks of the rescuing role of the International Monetary Fund (IMF) and the World Bank, when these two institutions with their continuous support for financial liberalization have all along been part of the problem.[1] As a matter of fact, until the global financial crisis gripped the world, our 'dream team' of policy makers, including Manmohan Singh, Montek Singh Ahluwalia and P. Chidambaram, insisted on speedier liberalization of the financial sector with measures like capital account convertibility and a greater and freer presence of foreign banks and insurance companies. Now they want to take credit for being prudent and slow in introducing reforms, for making nationalized banks safer, etc. Politicians may be right in believing that public memory is short but perhaps will find that it is not that short! Women and men in practical affairs pretend to know and may change posture to suit circumstance,

[1] *Times of India*, 26 October 2008

but it should be the job of economists to call the bluff. We have not done too well on that count. As a well-known economist once said, 'Some knowledge of economics is useful, if only to guard against being fooled by other economists.' Amidst the global financial crisis, the compulsions of elections and the quick U-turn taken by our so-called economic technocrats in the government, I am often reminded of the intrinsic wisdom of this statement.

It is remarkable that despite the inexactitude of economics as a body of knowledge—which should have left enough space for some if not several contesting economic ideologies—over the last twenty years or so, all the major political parties in India, cutting across the spectrum from the Left to the Right, largely converged at a very similar point of view on economic management. While differentiating themselves mostly by rhetoric, they came to subscribe to the idea that globalization, market-based liberalization and corporate-led industrialization were inevitable compulsions for economic development in India. Consequently, they all sought foreign investments and funds on whatever terms, accepted World Bank/IMF views

of growth and equity, and engaged in a race to the bottom by offering competitively favourable terms to attract large corporate houses to the states where they were in power. In short, the TINA syndrome, There Is No Alternative, gripped economic action as well as imagination. For the traditional Left, recent history explains part of it. The failure of Soviet-style bureaucratic central planning and the U-turn of the officially socialist China and Vietnam in embracing capitalist-style policies undermined confidence in old-fashioned socialist ideas. The economic success stories of countries like South Korea, Singapore, Taiwan, Malaysia and Hong Kong pointed to attractive possibilities. Nevertheless, in the orchestrated celebration of the market economy, one tends to forget this story is one-sided. It is inconvenient for a pro-market economist to remember that most countries of sub-Saharan Africa, Latin America and Central Asia underwent dramatic economic stagnation or decline for several years after embracing the same principle of market-based liberalization.[2]

[2] Angus Maddison, *The World Economy: A Millenial Perspective*, OECD Publishing, Paris: 2001

With economic history seldom giving unambiguous answers, economic theory has to play a critical role in making our inexact knowledge appear more plausible in the service of economic ideology. The ideology of the self-regulating free market that came to rule the world and is commonly known as neo-liberalism has its origin in the idea of perfect competition as the prototype market form. We all know markets involve buying and selling, activities which are organized under certain rules that vary enormously, say from the weekly village market to the stock exchanges on Dalal Street or Wall Street. Economists study the properties of the market organization by taking a perfectly competitive market as their point of reference. Results are then arrived at under highly unrealistic assumptions which rule out, for instance, all forms of uncertainty and banish the unknown future from the analysis. It is shown that an equilibrium set of prices exists, which simultaneously clears all markets by equating demand and supply. The prices in equilibrium correspond to an efficient arrangement in the sense that the production of no commodity can

be increased without decreasing the production of some other, and no participant in the market can do better, as either producer or consumer, without someone else becoming worse off. The powerful ideological metaphor is that of the invisible hand of the self-regulating market leading a society of selfish individuals to an optimum. This is indeed a most spectacular case of self-organization, where neither any intervention of the government nor any concern for the collective expressed in social norms like trust and fellow feeling are needed to reach the optimum economic state. Margaret Thatcher, the former prime minister of Britain and a main architect of the neoliberal worldview, famously echoed this sentiment by claiming that there is no society, there are only individuals.

However, even this mythical land of perfect competition is flawed on its own terms. The optimum equilibrium shown to exist under idealized conditions does not guarantee that the distribution of income in society would be even tolerably good. To appreciate its practical implications, remember demand depends on the purchasing power of individuals, so a grotesquely unequal distribution of income under competitive

conditions might mean millions of children dying from easily treatable diseases like malaria and tuberculosis, while expensive hospitals in the metropolis provide state-of-the-art treatment at a price only the rich can afford. Villages go without sanitation and drinkable water, but select areas of cities might pride themselves on their world-class luxury apartments and glittering malls. And yet by the logic of the market, any such equilibrium would still be considered optimum because it allocates resources efficiently, and the poor in the slums and the villages cannot be made better off without hurting the rich.

A deeper logical flaw is that the stability of the equilibrium in a competitive market is not guaranteed without imposing further stringent conditions, and it remains unspecified how long it would take to converge to it. This is a political catch. A decision-maker in a democracy, say a prime minister, can always say that economic reforms are about to produce results without specifying the time horizon. Like a dictator, the competitive market can go on promising without delivering as it is without accountability within any specified time period. In this sense, the

market as an institution has no accountability except for the largely make-believe ideology of self-regulation. This is the fundamental difference between the market and democracy insofar as in a democracy there is some reckoning at the time of elections. And market-based reforms have done badly in India on that count. The National Democratic Alliance's 'India Shining' slogan crashed in the 2004 general elections; as for the United Progressive Alliance (UPA), Prime Minister Manmohan Singh, widely considered the guru of India's market-oriented reforms, has not personally won an election to date.

Outside the electoral process, the government's enthusiastic reliance on the market mechanism as the main driving force of efficient resource allocation and growth accentuated poverty to create rumblings in the countryside that often spill over into helpless fury and despair. More than a hundred thousand farmers have committed suicide over the last decade or so. According to government estimates, some 125 districts—spread over twelve states and covering more than a quarter of the land mass, mostly in central India—are affected by extremist

Naxalite activities. Dalits (16 percent) and adivasis (8 percent)—approximately one quarter of the population—provide the main support to these movements, suggesting a combination of economically and socially oppressive factors as a major cause. Despite near double-digit growth for more than a decade and a half, available estimates suggest that more than a third of the Indian population lives in sub-human poverty. It has been reckoned that nearly 42 percent of the Indian population is absolutely poor by international standards with income less than 1 US dollar in purchasing power. More than three-fourths of the population has a daily purchasing power of less than Rs 20 a day; nearly half the children of India are undernourished, which renders many crippled; anaemia is on the rise among women, and food deprivation in the countryside has not decreased in the last two decades.

All along, the logic of the market has been encouraged by government policies to work relentlessly against the poor majority through three major routes. First is the extraordinarily slow growth in regular employment. Regular employment in the organized sector over the last

decade or so grew at only about 1 percent, while the rest of the average 6-7 percent growth in gross domestic product (GDP) came from growth in labour productivity, or output per worker. By contrast, in earlier decades, when GDP grew on average at less than 4 percent, regular employment grew at an annual 2 percent. The recent drive to increase labour productivity is related to globalization. International trade means increasing the importance of the external compared to the internal market, while corporations compete in the export market mostly by cutting costs to increase their international competitiveness. This usually means shedding the labour force through mechanization. For instance, if the labour force in a corporation is downsized to half at the same wage, the labour cost per unit of output would also be halved. Let one example suffice to illustrate how this process is working in practice. Tata Motors reduced the number of its workers in Pune from 35,000 to 21,000 but increased the production of vehicles from 129,000 to almost 312,000 between 1999 and 2004, implying a labour productivity increase by a factor of four. The aggregate picture broadly

conforms to this. According to the *Economic Survey* of the Government of India (2006–07), total employment in the organized sector declined from 28.2 million in 1977 to 26.4 million in 2004; the much talked-of growth of the private organized sector, under the government's reform policies, hardly compensated for the decline in public sector employment. Another telling piece of evidence against the belief that corporate-led industrialization and greater direct foreign investment would promote more employment came from the headlines of the *Times of India* (7 July 2008). A comparison of the various states of India suggested that Gujarat and Maharashtra—long hailed as the most dynamic in these respects—were in fact among the slowest growing states in terms of creating either non-agricultural or manufacturing jobs.

With regular employment opportunities growing far too slowly compared to the number of job-seekers, more and more people are being pushed to the unorganized sector. Agriculture in particular has become even more overcrowded. According to the *National Sample Survey* (61st round), approximately 110 million agricultural

workers (out of a total workforce of 400 million) found employment for 209 days in 2004-05 compared to 220 days in 1999-2000. People desperate for a livelihood join the ranks of the so-called self-employed in the unorganized sector, the fastest growing category, marked by long hours of work with negligible earning, lack of any social security or labour protection and extensive use of child labour. More than half the hawkers of Kolkata and more than one-third of the hawkers of Ahmedabad belonging to this category are retrenched industrial workers, now threatened once more in the name of economic efficiency by the corporatization of retail trade in this era of globalization. This vast informal sector is increasingly becoming a refuge for people stripped of all options, and reminds one of the Hell imagined by the great Italian poet, Dante. On its gate is written, 'Abandon all hope, ye who enter here.'

The second reason for growing inequality lies in the style of economic management pursued by the government. While opportunity for regular work is growing at a grossly insufficient pace despite a high growth rate of output, the

government has become increasingly weary of spending more on social welfare sectors like health, education, public distribution and social security for the poor. Government expenditure on these heads remained more or less steady at around 2.2 percent cent of GDP throughout 2000–07, with health receiving 1.4 and education receiving 2.8 percent of GDP on average. The apparent reasons given are 'lack of money' and the poor public delivery system for social services. However, these are superficial justifications, and there is a more compelling reason which the financial crisis has brought out into the open. Globalization of finance made the government highly sensitive to the moods of the stock market and the financial sentiments of its major players. India has a relatively large foreign exchange reserve ($283 billion in February 2008), but unlike China, which has been enjoying an export surplus for several years, our reserve comes mostly from capital inflows exceeding balance of payments deficits. Such inflows, like deposits from non-resident Indians and portfolio investments by various international financial institutions, are far more fickle in nature and can be withdrawn at

relatively short notice if the mood of the financial market sours. The main thrust of the pro-market government policy had been to keep the financial market happy by being on the right side of the IMF and the World Bank insofar as they have a central role in shaping international financial opinion for banks, credit-rating agencies and other financial institutions. This means following their economic guidelines in formulating policies. As a result, the government minimized its welfare spending by letting it stagnate as a percentage of GDP, even during the years of high growth. The cost of this squeeze of expenditure on social security, education and health falls mainly on the poor who cannot turn to the market to purchase these services due to lack of purchasing power and job opportunity.

The third route is paved by the view of economic development that all governments have increasingly adopted. It amounts to federal and state governments, irrespective of professed political colour, extending various privileges to large corporations as incentives for promoting corporate-led development. Land acquisition for 'public purpose' (land is a state subject under

the Constitution) has become its politically most visible aspect. The central government has all along provided legal and logistical support for land acquisition, and the original 1894 Land Acquisition Act, proclaiming 'eminent domain' status for the state, was significantly revised in 1952, 1963 and 1984 successively to give it greater power to acquire land for the defence sector, cooperatives and public sector companies. The last UPA government brought two related bills (the Land Acquisition Amendment Act and the Rehabilitation and Resettlement Act, both under consideration of parliamentary standing committees) which would in many ways further the reach of the state.

Land is being acquired by the governments for three major purposes: mining, industry and special economic zones. First, consider the mineral rich, usually forested land acquired mostly from tribal populations and concentrated heavily in the states of Jharkhand, Bihar, Chhattisgarh and Orissa. As has often been pointed out, these are some of the country's richest lands, inhabited largely by its most poor. A piece of revealing statistic shows that mining typically displaces the

country's poorest—the adivasis, or tribals, who constitute some 8 percent of the population but account for nearly forty percent of those displaced in the name of development. The state apparatus takes recourse to silent violence in various ways. Forcible acquisition of land and dispossession is often obtained through the manufactured consent of the gram sabhas, coerced at gunpoint into formally complying with the legal requirements of the Panchayat Extension to Scheduled Areas Act of 1996, relating to regions with a large tribal concentration. The public purpose such violence serves is handing over to private corporations the possession of the iron-rich land in Chhattisgarh, Jharkhand and Madhya Pradesh, the bauxite-rich land of Orissa, the diamond mines in Bastar and so forth. Memorandums of understanding between large private corporations and the concerned state governments are seldom revealed despite applications under the Right to Information Act. The mining land taken from locals at a unilaterally announced low compensation price (frequently not paid) is handed over to large corporations and industrial houses, often with the government providing supporting infrastructure at public

cost by displacing more people. It is up to us to infer whether this is done only to pursue a certain model of industrialization or whether large money also changes hands, benefiting our political class and many bureaucrats in the process. This is at least a part of the story behind the country's recent phenomenal growth in corporate wealth and its burgeoning population of dollar billionaires. Available statistics show that in barely four years, between 2003–04 and 2006–07, until the stock market crash of October 2008 in India, the market value of the capital of the companies listed on the Bombay Stock Exchange grew almost 300 percent, and we could perversely boast of the highest number of dollar billionaires after the United States while the majority of our citizens remain desperately poor.

The logic of a liberalized market mechanism buttressed further by state power to help private corporations is creating unprecedented inequality in India along with high growth. And yet for this growth process to remain economically viable over time, the slow growth of the domestic purchasing power of the majority of the population must be countered by a

compensatory expansion either of our exports or of expenditure by the rich. However, our import exceeds export, and we buy more from foreigners than we sell to them. Thus the net contribution of the foreign trade sector to the expansion of demand in our economy is negative. As a result, this anti-poor pattern of growth is being sustained by a rapid expansion of income and expenditure among the richer groups of society (the top 20 to 25 percent at most). Increasing inequality is inherent in such a growth process. It means that corporations sell their products and realize handsome profits by concentrating mostly on the production of goods consumed by the richer sections of the population. As a result, some 75 percent of Indians with a daily per capita purchasing power of less than Rs 20 have virtually no place in this corporate-led economy as consumers. Their space as small, rural producers or as small businesses in the unorganized sector also shrinks as the goods produced for the high end of the market—cars, refrigerators, air-conditioned malls, state-of-the-art hospitals, etc.—can mostly be produced only by corporations. Thus growing inequality and

lack of employment opportunities are coupled with an output composition oriented towards the rich minority. This process of growth tends to exclude the majority of our fellow citizens and often destroys their livelihoods. The big dams we build, the electricity we generate and the world-class cities we strive for, divert even non-renewable natural resources. The large corporate houses may use them efficiently to produce and sell profitable products to the rich, but this very efficiency implies the exclusion of the poor, both as producers and as consumers. The process of growth is sustained by inequality and inequality is reinforced by growth in a mutually supportive manner. The Swedish economist Gunnar Myrdal had called it 'cumulative causation' (somewhat similar to the engineer's system of strong positive feedback, the evolutionary biologist's symbiosis between two species, and perhaps the notion of autocatalysis in chemical reactions).

While all this has been happening around us for quite some time, most of us refused to see it. The mainstream English-language media, mostly owned and controlled by large corporate houses, continuously conditions our middle class

to turn a blind eye and believe that the virtual economy of the hourly fluctuations in the stock market is far more newsworthy than the growing inequality, despair and fury gradually engulfing the countryside. Most economists, who should have known better, fuelled this perception and cheered politicians for the rapid emergence of India as a global economic power; politicians, of course, never tire of congratulating themselves for their own achievements. When the market boomed, they took credit for liberalizing it; then, as the market crashed, the same politicians took credit for not liberalizing it! They took credit for forcing the labour market flexibility of the 'hire-and-fire' rule; then, when the market crashed, the prime minister begged the captains of industry in a specially called meeting not to fire workers near election time! This hypocritical politics carried on as business as usual until the recent global financial crisis deeply shook confidence in self-regulating free market capitalism and its global reach. The comfortable thought that more economic reform to deregulate the market and speedier integration with the global market would rapidly lead us towards an optimal economic state

is no longer fashionable; instead, yesterday's pro-market reformers now want more supervision and regulation of the market in India like their counterparts in the US and Europe. The real problem can best be captured with an old English rhyme: 'Those who are convinced against their will/Are of the same opinion still.'

Neo-liberalism has gone out of sight but not out of mind because the vested interests that drive our politicians remain the same. We are still being misled to support a model of corporate-led industrialization as the way to our economic development without questioning its relevance in the Indian context. A deep-seated habit of thinking inculcated by the liberalization rhetoric still wants us to believe that even financial globalization is just another name for good neighbourliness, especially with the United States; that the market can substitute for social ethics by deciding what is profitable to produce and who should be in charge of production. We are still unable to question how compatible are the values of our political democracy of 'one adult, one vote' in a country of overwhelming poverty with the logic of the market, where

the rich with their higher purchasing power have many more votes than the poor. These are uncomfortable, verging-on-dangerous questions, but the ability to pose them is the first step to liberating ourselves from the ruling system of conventional economic wisdom that has failed us. Long ago, in the introduction to his famous allegorical novel, *Animal Farm*, George Orwell had warned us that British democracy is not very different from the totalitarian monster he was describing in his book. Unpopular ideas, he said, can be suppressed without the use of force by two means. First, the press owned by wealthy men (read 'corporations' these days!) who have every reason not to want certain ideas expressed. We indeed have enough evidence of this every day in the mainstream English-language media. And the second reason, Orwell submitted, is a good education. If you have gone to the best schools (read specially, the top management and economics schools), it has been instilled in you that there are certain things it would not do to express or even think. Our educated middle class demonstrated its excellent education until recently by banishing all sceptical thoughts

about the efficiency and intrinsic wisdom of the market resulting in high corporate growth led by financial globalization. Can this global financial crisis give us the courage necessary to re-educate ourselves and view the 'logic of the market' more logically?

Development or Developmental Terrorism?

It has become a cliché, and these days even a politically correct one, to say that there are two Indias: the India that shines with its rich neighbourhoods, corporate houses of breath-taking size, glittering shopping malls and high-tech flyovers over which flow a procession of new-model cars. These are the images from a globalized India on the verge of entering the first world. And then there is the Other India. The India of helpless peasants committing suicide, dalits regularly lynched in not-so-distant villages, tribals dispossessed of forest land and livelihood, and children too small to walk properly yet

begging on the streets of shining cities. Something stalks the air. The rage of the poor from the Other India is palpable; it has engulfed some 120 to 160 of the 607 districts of this country in so-called extremist Naxalite movements. The India of glitter and privilege, it seems, is bent on turning away and seceding from the India of despair, rage and inhuman poverty. This is not just a matter of the growing, relative inequality between the two Indias. A more brutal process is at work, with the connivance of governments at the central and the state level, which is not only widening this divide between the two Indias, but is consciously deepening the Other India's absolute poverty, misery and rage.

The unprecedentedly high economic growth on which privileged India prides itself is a measure of the high speed at which it is distancing itself from the India of the poor. The higher the growth along this pattern, the greater will be India's underdevelopment. We need to understand this paradox, which counterposes growth against development, and challenge this dangerous obsession with economic growth at any cost.

With globalization the context in which growth is taking place, the accompanying processes of liberalization and privatization are tilting the balance in favour of the market against the nation state. However, the game is no longer what it used to be. Nineteenth-century capitalism developed through a complex process of conflict and cooperation between state and market. The state furthered the market's interest but at times also regulated it, fixing the number of working hours, abolishing child labour and legalizing trade unionism at different points in time. Karl Polanyi, the great historical commentator of the nineteenth century, described this as the 'great transformation' driven by the 'double movement' of the market and the state. It was a process characterized by the state setting most rules for the market. When the state fails to play this role, the result is not a freer market, but the increasingly desperate rage of the poor that must engulf us all sooner or later.

Economic theory has no means of explaining how the market gets organized and its rules get set and enforced. The reason is the free market metaphor, which tries to avoid assigning the

state an explicit economic role. For instance, economists talk of prices rising or falling in response to excess demand or supply in the market but are at a loss to explain who sets these prices in a market of many players. Like Voltaire's god, they then have to invent 'the auctioneer', the metaphor of the 'invisible hand of the price mechanism' and other tales, trying to pretend that the market operates in isolation as a self-regulating system. This is a sad example of how high theory verges on idiocy when it becomes ideologically inconvenient to take the history of the dialectical relation between the state and the market seriously. However, the situation is far worse when the rules of the market are set by the state on behalf of large corporations. This is what is being done in globalizing India in the name of economic development. The conventional Left is as much a party to it as the neo-liberal Right. It is only rhetoric which divides them, not any difference in their understanding of the development process or commitment to the poor for a different pattern of development. We are living in barren times. The Left is today left without any sense of direction, any ideas, and

ends up following the Right, which is not right. It is no longer straws that show the direction in which the wind is blowing. It is an avalanche, a many-pronged attack meant to mercilessly drown the poor and the marginalized of India in the name of faster growth.

A massive land grab by large corporations is going on in various guises, aided and abetted by the land acquisition policies of both the federal and state governments. Destruction of livelihoods and displacement of the poor in the name of industrialization, big dams for power generation and irrigation, corporatization of agriculture despite farmer suicides, and the 'modernization' and 'beautification' of our cities by demolishing slums are showing every day how development can turn perverse. Until September 2006, the Board of Approvals committee of the Ministry of Commerce had approved 267 Special Economic Zone (SEZ) projects all over India. Land area for each of these projects 'deemed foreign territories' ranges from 1000 to 14,000 hectares. So far, 134,000 hectares have been acquired, mostly by state industrial development corporations, for only 67 multiproduct SEZs. Similarly, mining

rights are being granted to corporations mostly over tribal lands. State governments, aided and emboldened by federal government policies, are acquiring land to give away to corporations. Recall that the year 2006 began with the shooting down in cold blood by the police of twelve tribals in Kalinganagar, Orissa, when they resisted their land being handed over to the Tatas for mining. Now the Tatas have a learned, Marxist chief minister in neighbouring West Bengal to do the necessary on their behalf. The Panchayat Extension to Scheduled Areas Act of 1996 requires gram sabhas to be consulted for land acquisition. And yet in Jharkhand and in Orissa, this has either been systematically ignored or, as a recent field report documents, the police threateningly surround ordinary members in the gram sabha meetings, forcing them to agree to give up their land at throwaway prices.[1] Land acquisition drives in Singur in West Bengal for the Tatas or in Dadri in Uttar Pradesh for Anil Ambani have telling similarities. We are told 'trade secrets' about land use cannot be revealed to the public under

[1] *Down to Earth*, 31 October 2006

the Right to Information (RTI) Act. Yet a local TV channel reported, uncontested so far by the government, that the West Bengal government gave Rs 140 crore in compensation, while the Tatas will give only Rs 20 crore for the land and that after five years, without stamp duty and provision of free water. The fact that public money to the tune of Rs 120 crore or more is handed over to a corporation must indeed remain a trade secret. Another unconfirmed report claims the West Bengal state cabinet gave the nod for the acquisition of 36,325 acres of land for various, similar national and multinational corporate-led projects. With more proposals coming in, the figure might have crossed 70,000 acres with Howrah marked for the Salem group, and Barasat also to be handed over to them for the Barasat Raichowk Expressway.

What we are witnessing is not mere bankruptcy of thought among the conventional Left in West Bengal. It is a deliberate connivance on their part with the interests of large corporations against the poor, perhaps in the hope that the corporations will bring about a miraculous transformation of the state which they were incapable of doing

with state power. It is an abject surrender to the conventional wisdom of our time that There Is No Alternative to corporations and the type of globalization they lead—the TINA syndrome in development discourse.

Yet there is a hidden script to the TINA syndrome. The ruling ideological design of development is that corporations will deliver us from poverty by raising the rate of economic growth. The International Monetary Fund (IMF), the World Bank and the Asian Development Bank tirelessly propagate this ideology in various guises. Now we have Marxist politicians and theoreticians propagating it too. Our one-time China haters have become its greatest economic admirers in this process. 'China's path is our path' is a slogan that today equally suits New Delhi, Kolkata, Mumbai, Ahmedabad and Lucknow! And yet this model of development that is so widely agreed upon is fatally flawed. It is a model which has already been rejected electorally in the last general election, in 2004, especially in Andhra Pradesh. There is no reason to believe that this corporate-led growth ideology, unless presented under the smoke screen of some pro-poor

populist measures in election times, will not be rejected again by our democratic polity, whether in West Bengal or elsewhere.

There are two variants of this ideology relevant for India. In the first, massive commercial borrowing from international banks is undertaken by our willing national government for development, encouraged and coordinated by the IMF and the World Bank by engaging multinational corporations, leading to various expensive, ambitious, giant projects, especially in the area of infrastructure. Typically, rules of consultancy and contract are fixed by the World Bank. Almost inevitably, the country subsequently gets caught in a debt trap. Most countries of Central and Latin America were until recently examples of this model of development. In a wave, country after country—Argentina, Brazil, Bolivia, Ecuador, Venezuela—have now rejected this path to (non-)development. Does our Left have no lessons to learn?

There is another variant characterized by the strong presence of the state. State-led or state-sponsored corporations are created and nurtured to compete with multinationals especially in

the world market and under active government support, while the government also tries to attract direct foreign investment. The government becomes a ruthless promoter of corporate entities in search of higher growth, irrespective of how it affects the interests of the people. This is state-led corporatism; today's China seems to fit this description reasonably well while South Korea, despite the obvious geopolitical differences and its dependence at an earlier stage on foreign borrowing, might have traversed a similar path. Not only our one-time China-hating Right, but also our Marxists seem to have turned full circle in admiration of the Chinese way of corporate-led development.

However, what China or any other country does is no justification. The reliance on developmental terrorism against the poor carried out by the state on behalf of the corporations is unacceptable anywhere, no matter what political label is attached. The Indian case could have been restrained by a functioning democracy and the political compulsions of coalition governments at the centre as well as in several states. However, there seems to have been a remarkable degree

of political convergence on the model of development, and a convergence of interests between the Right and the Left. The case of China is particularly misleading in this respect in two ways. First, the nature and extent of support the Chinese government can give to state-sponsored corporations or to particular foreign investors is not possible for a government that intends to follow the path of borrowing heavily under IMF/World Bank supervision. It has to comply largely with the interests of those agencies which coincides to a large extent with that of the government of the United States. Second, the single-minded ruthlessness with which the Chinese system can follow its objective of corporate-led growth, at times by changing laws or suppressing the rights of ordinary people, is fortunately not yet possible in our system.

The challenge facing us is twofold. We must oppose a high growth that justifies the state's developmental terrorism. At the same time, we must support an alternative path to development. Possibilities exist, and we must exploit the full legal potentials—for example, of the National Rural Employment Guarantee Act—and work

to strengthen panchayats through financial autonomy, ensure the gram sabhas have full control over the use of their land and insist on transparency and accountability in governance at all levels through the RTI Act. Pro-people growth in India has to be employment driven and energized by a genuinely decentralized structure of governance. It is indeed high time our case is made in all possible ways; but in the meanwhile we must learn to judged political parties and governments by this criterion and not by their rhetoric and passing pre-election populism.

Predatory Growth

Over the last two decades or so, the two most populous countries of the world, China and India, have been growing at rates considerably higher than the world average. In recent years, the growth rate of the national product of China has been about thrice, and of India approximately twice, the world average. This has led to a clever defence of globalization by a former deputy managing director of the International Monetary Fund (IMF). Professor Stanley Fischer claimed that, although China and India feature as only two among some 150 countries for which data is available, we are reminded that they together

account for the majority of the world's poor.[1] This means that even if there is still no convergence among rich and poor countries in terms of per capita income, these two large economies' well-above-world-average rate of growth implies that the current phase of globalization is reducing global inequality and poverty at a rate as never before.

Statistical half-truths can be more misleading than untruths at times. And this might be one of them, insofar as the experiences of ordinary Indians contradict such statistical artifice. Since citizens in India can express their views reasonably freely, at least at election time, their electoral verdicts on the high-growth regime should be indicative of its performance. They have been invariably negative. As a result, come poll time, all parties talk not of economic reform, liberalization and globalization, but of greater welfare measures that the state is to initiate. Elections over, and the reform agenda is back. Something clearly needs to be deciphered from such predictable swings in political pronouncement.

[1] Stanley Fischer, *American Economic Review*, Papers and Proceedings, May 2003, 1–32.

Politicians know that ordinary people are not persuaded by statistical mirages but by their daily experience. They do not accept high growth at face value as unambiguously beneficial. If income distribution turns viciously against them, if high growth does not expand their opportunities for reasonable employment and livelihood, then, in a democracy, its purpose would be widely questioned. This indeed is what is happening, paradoxical though it might appear to some. The festive mood generated by high growth is steeped in popular dissent and despair, often turning to repressed anger. Like a creeping malignancy, a sense of political unease is spreading with the near double-digit growth. And no major political party, irrespective of their Right or Left label, is escaping, because they all subscribe to an ideology of growth at any cost.

What exactly is the nature of this paradoxical growth that increases output and popular anger at the same time? India has long been accustomed to extensive poverty coexisting with growth, with or without the 'socialist pattern'. It continues to have anywhere between one-third and one-fourth of its population living in sub-

human, absolute poverty. The number of those so condemned has declined very slowly over the last two decades, leaving some 303 million people still in utter misery. By contrast, China did better, with its number of the absolutely poor declining from 53 percent to 8 percent, that is, a reduction of some 45 percentage points—quite an achievement, compared to India's 17 percentage points. However, while China grew faster, inequality or relative poverty also went up higher than in India. Some claim that the increasing gap between the richer and the poorer sections of Chinese society during the recent period has been one of the worst in recorded economic history, perhaps with the exception of some former socialist countries immediately after the collapse of the Soviet Union. The share in national income of the poorest 20 percent of the population in contemporary China is 5.9 percent, compared to 8.2 percent in India. This implies that the lowest 20 percent income group in China and in India receives about 30 and 40 percent respectively of the per capita income of their respective countries. However, since China has over twice India's per capita income

in terms of both purchasing power parity and dollar income, the poorest 20 percent in India are worse off in absolute terms. The Gini coefficient, lying between 0 and 1 and measuring inequality, increases in value with the degree of inequality. In China, it had a value close to 0.50 in 2006, one of the highest in the world. Inequality has grown in India too, but less sharply. Between1993–94 and 2004–05, the coefficient rose from 0.25 to 0.27 in urban and from 0.31 to 0.35 in rural areas. Every dimension of inequality—between regions, between professions and sectors and, in particular, between urban and rural areas—has also grown rapidly in both counties, though faster in China than in India. In short, China has done better than India in reducing absolute poverty but worse in allowing the gap between rich and poor grow more rapidly during the recent period of high growth.

A central fact stands out. Despite vast differences in the political systems of the two countries, the common factor accompanying higher growth has been increasing inequality. What is not usually realized is that growth in output and growth in inequality are not two isolated phenomena. One

frequently comes across the platitude that high growth will soon trickle down to the poor, or that redistributive action by the state through fiscal measures could decrease inequality while keeping up the growth rate. These statements are comfortable but unworkable because they miss the main characteristic of the current growth process. This pattern of growth is propelled by a powerful reinforcing mechanism, once described as 'cumulative causation' by the economist Gunnar Myrdal, where growing inequality drives growth and growth fuels further inequality.

The reinforcing mechanism has its origin in two different factors, both related to some extent to globalization. First, in contrast to earlier times, when less than 4 percent growth was associated on average with a 2 percent growth in employment, India is experiencing a growth rate of some 7–8 percent in recent years, but the growth in regular employment has hardly exceeded 1 percent. This means most of the growth, some 5–6 percent of the gross domestic product (GDP), is the result not of employment expansion but of higher output per worker. This high growth of output has its source in a rise in

labour productivity. According to official statistics, between 1991 and 2004, employment fell in the organized public sector, and the organized private sector hardly compensated for the shortfall. In the corporate sector and in some organized industries, productivity growth comes from mechanization and longer hours of work. Edward Luce of the *Financial Times* (London) reported that the Tatas' Jamshedpur steel plant employed 85,000 workers in 1991 to produce one million tons of steel worth USD 0.8 million. In 2005, production rose to five million tons, worth about USD 5 million, while employment fell to 44,000. In short, output increased approximately by a factor of five and employment dropped by a factor of one half, implying an increase in labour productivity by a factor of ten. Stephen Roach, chief economist of Morgan Stanley, reports a similar case with the Bajaj motorcycle factory in Pune. In the mid-1990s, the factory employed 24,000 workers to produce one million two-wheeler units. In 2004, aided by Japanese robotics and Indian information technology, 10,500 workers turned out 2.4 million units, that is, an increase in labour productivity by a factor of nearly six with less than half the

labour force more than doubling the output.[2] One could multiply such examples, but this is broadly the name of the game everywhere in the private corporate sector.

The manifold increase in labour productivity without a corresponding increase in wages and salaries becomes an enormous source of profit and also a source of international price competitiveness in a globalizing world. Nevertheless, this is not the entire story, perhaps not even the most important part of the story. The whole organized sector, to which the corporate sector belongs, accounts for less than a tenth of the labour force. Simply by the arithmetic of weighted averages, a 5–6 percent annual growth in labour productivity in the entire economy is possible only if the unorganized sector, accounting for the remaining 90 percent of the labour force, also contributes to this growth. Direct information is not available on this count, but several microstudies and surveys show the broad pattern. Growth of labour productivity in the unorganized sector, which includes

[2] Data collected by Aseem Srivastava (2007) and electronically circulated in an article 'Why this Growth Can Never Trickle Down'.

most of agriculture, comes from lengthening working hours to a significant extent as this sector has neither labour law worth the name nor social security protection. Subcontracting to the unorganized sector along with casualization of labour on a large scale become convenient devices to ensure longer working hours without higher pay. Self-employed workers, totaling 260 million, expanded fastest during the high-growth regime, providing an invisible source of labour productivity growth. Ruthless self-exploitation by many of these workers in a desperate attempt to survive keeps them putting in long hours of work with very little extra earning and adds both to productivity growth contributing directly and indirectly through various forms of formal and informal subcontracting to corporate profit, and to human misery.

Inequality is increasing also for another reason. Its ideology, often described as neoliberalism, is easily visible at one level, but the underlying, deeper reason is seldom discussed. The increasing openness of the Indian economy to international finance and capital flows, rather than to trade in goods and services, has had the consequence of

paralyzing many pro-poor public policies. Despite the fact that we continue to import more than we export (unlike China), India's comfortable foreign reserves position, crossing USD 230 billion in 2008, is mostly the result of accumulated portfolio investments and short-term capital inflows from various financial institutions. To keep the show going, the government's fiscal and monetary policies need to comply with the interests of the financial markets. That is the reason why successive Indian governments have willingly accepted the Financial Responsibility and Budget Management Act of 2003, restricting deficit spending. Similarly, the idea has gained support that the government should raise resources through privatization and so-called public–private partnerships but not through raising the fiscal deficit or imposing a significant turnover tax on securities transactions. Such measures rattle the 'sentiment' of the financial markets, so governments remain wary of them. The hidden agenda, vigorously pursued by governments of all colours, has been to keep the large private players in the financial markets in a happy mood. Since the private banks and financial institutions

usually take their lead from the IMF and the World Bank, this bestows on these multilateral agencies considerable power over the formulation of government policies. However, the burden of such policies is borne largely by the poor. This has had a crippling effect on policies for expanding public expenditure in the social sector. Inequality and distress grow as the state rolls back on social services like basic health, education and public distribution, and neglects the poor, while the 'discipline' imposed by the financial markets serves the rich and the corporations. This process of high growth traps roughly one in three Indians in extreme poverty with no possibility of escape either through growth in regular employment or through state-provided relief measures. A global meltdown beyond the government's control and compulsions of populist measures just before the general election in 2009 disturbed somewhat this 'business as usual' attitude of ignoring the poor of the policy-makers (but it remains to be seen for how long).

Extremely slow growth in employment and feeble public action exacerbate inequality as a disproportionately large share of the increasing

output and income from growth goes to the richer sections of the population, not more than, say, the top 20 percent of income receivers in India. At the extreme ends of income distribution, the picture that emerges is one of striking contrasts. According to the *Forbes* magazine list for 2007, the number of Indian billionaires rose from nine in 2004 to forty in 2007; much richer counties like Japan had twenty-four while France and Italy had just fourteen each. Even China, despite its sharply increasing inequality, had only seventeen billionaires. The combined wealth of Indian billionaires increased from USD 106 to USD 170 billion in the single year 2006–07. This 60 percent increase in wealth would not have been possible except through transfers of land, in the name of 'public purpose', from state and central governments to private corporations for mining, industrialization and special economic zones. Estimates based on corporate profits suggest that from 2000–01 to date, each additional percentage growth of GDP has led on average to some 2.5 percent growth in corporate profits. India's high growth has certainly benefited the corporations more than anyone else.

After several years of high growth along these lines, the India of the twenty-first century has the distinction of being second only to the United States in terms of the combined total wealth of its corporate billionaires, who coexist with the world's largest number of homeless, ill-fed illiterates. Not surprisingly, this growth process is devoid of all hope of escape for ordinary Indians at the receiving end. Nearly half India's children under age six are underweight and malnourished, nearly 80 percent suffer from anaemia while some 40 percent of Indian adults suffer from chronic energy deficit. Destitution and perpetual hunger silently kill and cripple thousands, picking systematically on the more vulnerable. The problem is more acute in rural India and among small children, pregnant women, dalits and adivasis, especially in the poorer states, while market-oriented policies and reforms continue to widen the gap between the rich and the poor as well as among regions.

The growth dynamics in operation are being continuously fed by growing inequality. With their income rapidly growing, the richer group of Indians demand a set of goods outside the

reach of the rest of society—air-conditioned malls, luxury hotels, restaurants, apartments and cars, world-class cities where the poor would be made invisible. The market for these goods expands rapidly despite the fact that, as we are told, more than three in four Indians make less than Rs 20 in purchasing power per day. They can hardly be part of this growing market. However, since purchasing power rules the market, the logic of the market now takes over and dictates the production of those goods for which there is enough money-backed demand; so high prices can be charged for them and handsome profits made. As the income of the privileged rapidly grows, the market for the luxury goods they demand grows even faster through the operation of the 'income elasticities of demand'. These roughly measure the percentage growth in demand for particular goods due to a 1 percent growth in income (at unchanged prices). Typically, goods consumed by the rich have income elasticities greater than unity, implying that the demand for a whole range of luxury goods consumed by the rich expands even faster than the growth in their income. Thus, the pattern of production

is dictated by this process of growth through raising the income of the rich faster than that of the rest of society, and through the operation of income elasticities, which see demand for luxuries increase even faster than income.

The production structure resulting from this market-driven high growth is heavily biased against the poor. While demand expands rapidly for various up-market goods, demand for the basic necessities of life hardly expands. Not only is there little growth in the purchasing power of the poor, but the reduction in welfare expenditures by the state dictated partly by the need to maintain a rising stock market for the rich, stunts growth in demand for necessities. The rapid shift in output composition in favour of high-end services might be indicative of this process at the macro level. But specific examples abound. We have state-of-the-art, corporate-run, expensive hospitals, nursing homes and spas for the rich but not enough money to control malaria and tuberculosis, which require inexpensive treatment. So they continue to kill the largest numbers. Lack of sanitation and clean drinking water transmit deadly diseases, especially to small

children (the highest killer in India), which could be prevented at little cost, while various brands of bottled water multiply for those who can afford it. Private schools for rich kids often have monthly fees that are higher than the annual income of an average unskilled Indian worker, while the poor often have to be satisfied with schools without teachers or classrooms.

Over time, an increasingly irreversible production structure in favour of the rich begins to consolidate itself. Because the investments embodied in the specific capital goods created to produce luxuries cannot easily be diverted to producing basic necessities (the luxury hotel or spa cannot readily be converted into a primary health centre in a village). And yet it is the logic of the market to direct investment toward the most productive and profitable sectors for 'the efficient allocation of resources'. The price mechanism sends signals to guide this allocation, but the prices that rule are largely a consequence of the increasingly unequal distribution of income in our society. The market becomes a bad master when the income distribution that guides it steadily worsens.

There are insidious consequences of such a composition of output biased in favour of the rich that our liberalized market system encourages. It is highly energy-intensive, drawing heavily on water and non-renewable resources, and often does unacceptable violence to the environment. We only have to think of the energy and material content of air-conditioned malls, luxury hotels and apartments, air travel or private cars. These are no doubt symbols of 'world class' living in a poor country created by diverting resources from the countryside, where most live, to feed a black hole of urbanization with its giant appetite for primary non-renewable resources. Many are forced to migrate to cities as fertile land is diverted to non-agricultural use, water and electricity are taken away in critical crop seasons from farms to supply cities, and developmental projects dispossess and displace thousands. Hydroelectric power from big dams is transmitted mostly to corporate industries and a few in posh urban localities, while nearby villages are left in thirst and darkness. Even peasants close to the cities do not get electricity or water to irrigate their land as urban India increasingly gobbles these

up. Take the pattern of water use. According to the Comptroller and Auditor General's report released to the public on 30 March 2007, Gujarat increased the allocation of Narmada waters to industry fivefold during 2006, eating into the share of drought-affected villages. Despite many promises made to villagers, water allocation stagnated at 0.86 MAF (million acre-feet), and even this is being cut. Water companies and soft drink giants like Coca Cola sink deeper to take out pure ground water as a free raw material for their products. Peasants in surrounding areas suffer because they cannot match the technology or capital cost. Iron ore is mined out in Jharkhand, Chhattisgarh and Orissa, leaving tribals without home or livelihood. Common lands, which traditionally provided supplementary income to the poor in villages, are being systematically encroached upon by corporations and the local rich with the active connivance of the government. The manifest crisis engulfing Indian agriculture with more than one lakh suicides by farmers over the last decade, according to official statistics, is one of the pointers to this process of pampering the rich who use their growing economic power

to increasingly dominate the use of our natural resources by multitudes of the poor.

The composition of the output demanded by the rich is hardly producible by village artisans or small producers. They find no place either as producers or as consumers; instead, economic activities catering to the rich have to be handed over to large corporations, which can now enter the scene in a big way. Accelerating growth and rising inequality begin to work in tandem. The corporations are needed to produce goods for the rich, and they in the process make profits and provide lucrative employment to the rich, who constitute part of a poor country's growing market for the privileged. In the course of this road to high growth through a destructive process of creation of corporate wealth a new political coalition, cutting across the traditional Right and Left has been formed. The signboard of this road is 'Progress through Industrialization'. Middle class opinion-makers and the media unite, and occasionally talk of 'fair compensation' palliatives for the dispossessed. Yet they are at a loss as to how to create alternative, dignified livelihood to fill the void caused by large-scale displacement

and destruction in the name of industrialization. Talks of compensation tend to be one-sided as they focus usually on ownership and, at best, refer only to the use and tenancy rights to land. However, the multitude of the poor who eke out a living without any ownership or land use rights, like the agricultural labourers, fishermen, boatmen or cart-drivers in rural areas, or squatters and small hawkers in cities, seldom figure in these discussions about compensation. And yet they are usually the poorest of the poor, outnumbering by far, perhaps in the ratio of 3 to 1, those who have some title to property. Ignoring them altogether, the state with single-minded devotion acquires land, water and resources for private corporations. The vocal supporters of industrialization never stop to ask why the very poor, who are least able, should bear the greatest burden of the 'economic progress' of the rich.

It is leading to a process of internal colonization of the poor, mostly dalits, adivasis and other marginalized groups, through forcible dispossession and subjugation. It has set in motion a social process not altogether unknown between the imperialist 'master race' and the colonized

'natives'. As the privileged, thin layer of society distances itself from the poor, the speed at which the secession takes place comes to be celebrated as a measure of rapid growth. The ideology of progress through dispossession of the poor, preached relentlessly by the united power of the rich, the middle class and the corporations, directly colonizes the poor, and has indirectly begun to colonize our minds. The result is a sort of uniform industrialization of the mind, a standardization of thought which sees no other alternative. And yet there is a fatal flaw. No matter how powerful this united campaign by rich corporations, the media and politicians, even their combined power remains defenceless against the actual life experiences of the poor. If this process of growth continues for long, it will produce its own demons. No society, not even our malfunctioning democratic system, can withstand beyond a point the increasing inequality that nurtures this high growth. The rising dissent of the poor must either be suppressed with increasing state violence, flouting every norm of democracy, and violence will be met with counter-violence to engulf the whole society;

or, an alternative path to development that depends on deepening our democracy by popular participation has to be found. Neither the rulers nor the ruled can escape for long this challenge thrown up by India's recent high growth.

Labour and Industrialization

The details may differ according to political perception, but there can be little disagreement that all the major political parties in India are under the spell of the TINA syndrome—the belief that There Is No Alternative to a market-driven process of industrialization, led by large corporations and supported by the state. This is understandable. Centralized bureaucratic planning failed miserably to deliver on its promises in the former Soviet Union. China and Vietnam have made U-turns in their economic policies in recent years, despite being formally socialist countries; and even the lone example of Cuba is

not exactly inspiring as an economic model when one considers comparable small-country, capitalist success stories like Singapore, Hong Kong (now a part of China) or Taiwan (of disputed status vis-à-vis China).

In India, too, things have been moving in the same direction. With economic liberalization, the gross domestic product (GDP) growth rate has accelerated more or less steadily, beginning in the mid-1980s with Rajiv Gandhi's 'creeping liberalization' and became established as the centre piece of Indian economic policy from the early 1990s under Narasimha Rao, with Manmohan Singh as his finance minister. As in other ex-socialist economies, the Left, stripped of its usual rhetoric, now enthusiastically talks the same language of industrialization, of special economic zones, of attracting corporate investment and of the usual policies for enticing capital that go with it. While West Bengal's Left Front government, which has been in power for three decades, seems to believe that alternatives are non-existent, there are also those who say that alternatives are not even needed, and that the only task ahead is to create conditions for the successful growth of capitalism in this country.

A deficient economic and political imagination has resulted, for the Left, in a lack of self-confidence in its ability to formulate new ideas and concepts of practical relevance. While the Right never really cared because it always believed that market capitalism held the solution to all problems, the traditional Left refuses to see the connection between the mechanism by which India is industrializing and the way it is creating billionaires surrounded by growing inequality. Indians are reported to have the largest amount of money in numbered Swiss bank accounts, more than double that of China, Russia or other third-world highly corrupt countries. We do not hear these things much in our media unless a politician mentions it at election time and then quickly forgets; we hear, instead of India's high economic growth, and how our large corporations are making their presence felt in the globalizing world. However, we do get occasional glimpses of the underlying connection between huge corporate money and its political nexus, as we saw, for example, in the political horse-trading over the nuclear deal.

Industrialization has come to signify privilege for large corporations and an already privileged

class in contemporary India. Land acquisition by the state for 'public purpose' has become politically the most visible aspect of this process of industrialization. It is widely maintained by many in the know of things that land transfer (like privatization of public enterprises in some former socialist countries) is also the main vehicle for creating millionaires and billionaires quickly, and giving them unprecedented power to influence our polity. Since land is a state subject under our federal Constitution, each state government in India has the discretionary power to decide the extent to which it wishes to take recourse to these laws. With state governments being of many colours and shapes, land acquisition becomes one of the clearest indications of the actual economic policies followed by particular governments in power. I need not reiterate here the double talk and double standards all political parties, Right and Left, engage in to justify their actions and criticize others. Recall only Kalinganagar or Jagatsinghpur, involving the Tatas, the Jindals and POSCO, in Orissa under the Biju Janata Dal; Nandigram and Singur, involving the Salim Group and Tata, in West Bengal under the Left

United Front dominated by the Communist Party of India (Marxist) (CPM); Raigad, involving the Ambanis, in Maharashtra under a Congress-dominated coalition, or the entire mineral rich region in Bastar in Chhattisgarh and Madhya Pradesh and in many parts of Jharkhand under the Bharatiya Janata Party (BJP). Political hypocrisy reaches absurd proportions irrespective of the political rhetoric used to hide it. To take an almost pathetically amusing example, the BJP's prime ministerial aspirant, L.K. Advani, came to Nandigram after one of the massacres perpetrated there by CPM and compared it to Jalianwala Bagh. He conveniently forgot about the massacre his party inflicted on minorities when in power in Gujarat, or is inflicting on tribals in Chhattisgarh and Madhya Pradesh to acquire their mineral rich land. Meanwhile, CPM cadres publicly supported by their leaders, joined peasants in Orissa and Andhra Pradesh in resisting land acquisition, while their cadres, also supported by their leaders in power, massacred peasants resisting land transfers in Nandigram.

Everywhere land acquisition by state governments has taken one or more of three

different routes: (a) mining, (b) land for industrialization and related infrastructure and (c) special economic zones. The central government has all along provided legal and logistical support for the ruthless application of the Land Acquisition Act of 1894; the present government has brought two related bills, the Land Acquisition Amendment Act and the Rehabilitation and Resettlement Act, under consideration of parliamentary standing committees to further extend the reach of the state in this respect. These measures are all linked, directly or indirectly, to a particular view of the model of industrialization. First consider the mineral rich, usually forested land mainly acquired from tribal populations concentrated heavily in the states of Jharkhand, Bihar, Chhattisgarh and Orissa. It will be no exaggeration to say that mining typically displaces the poorest in the country, leaving these voiceless, mostly illiterate people completely dispossessed and defenceless. Forcible acquisition of land and dispossession amounts to nothing less than violent internal colonization. And this process of internal colonization is being carried out in India today by the state for 'public purpose', by

handing over land for mining to large private corporations like the Tatas, Jindals and others. This is the name of the game everywhere: iron ore rich lands in Chhattisgarh, Jharkhand, Madhya Pradesh and Orissa are all covered by mysterious memorandums of understanding between giant private corporations and the concerned state governments. They are seldom revealed, despite applications under the Right to Information Act. The mining land taken from locals at unilaterally announced, low compensation prices (that are frequently not paid) is handed over as a rule to large corporations and industrial houses on extremely favourable terms for mining, energy generation, etc. Very often, even supporting infrastructure is provided by the government at public cost. It is left to us to infer whether this is done only to pursue a model of industrialization, because large money also changes hands in the process. The corporations make additional profits because their fixed (e.g. land) and variable (e.g. cheaper sources of water, transport, etc.) costs of production are drastically reduced. It shows up in the fast growth of corporate profit and wealth. This is at least a part of the story behind

the phenomenal growth in corporate profit. According to one set of estimates, corporate profit since the mid-1990s has grown three times faster than the country's GDP.

An important political aspect of this process of redistribution in favour of corporations is that the source of the profit is not the surplus produced directly by the labour employed by these corporations. It is not profit made on the 'factory floor' or the surplus value extracted from corporate labour, but is made outside the factory gates by getting cheap access to natural resources. It comes from dispossessing thousands of tribals, small and marginal peasants, fisherfolk and others in the name of development on the one hand and turning out so many captains of industry as corporate billionaires on the other.

The cost of industrialization falls disproportionately heavily on those who can bear it the least; they are the poorest citizens of this country. The poor face the terror that is 'development', and the poorest face it most severely. Those who terrorize in the name of championing development, aided directly or indirectly by the state apparatus, resemble

in their arrogance the colonial 'master race' subjugating the uncivilized 'natives' for the sake of the advancement of civilization. Only, in our case, the road to civilization lies through land acquisition from the poor. I cannot help feeling that this systematic attempt at internal colonization is perhaps the product of India being not so powerful internationally, and has to turn on its own most vulnerable citizens. In this context, it is almost puzzling to witness the contrast between the definitive stand of the Left parties against US imperialism, say over the nuclear deal, and their willingness to go along with this process of internal colonization in the name of industrialization.

The problem that increasingly stares this country's working people in the face is stark. At one level, it is a moral choice. Even if a section of the working class can get better conditions of employment through this form of industrialization, should they turn a blind eye to this question of internal colonization? However, it is also an illusionary choice for the working class as a whole because only a small fraction of them would benefit from it in any case in

the context of globalization. There are three compelling economic reasons for this.

First, globalization in trade means the increasing importance of the external compared to the internal market. Corporations can compete in the external market mostly by cutting costs in every manner to increase their competitiveness while maintaining quality. Above all, this means shedding the labour force through mechanization to increase labour productivity, or the value added per worker, in addition to restraining wages through labour contracts unfavourable to the workers and through casualization of labour on an increasing scale, which lengthens working hours without additional pay, especially for those self-employed in unorganized industries. According to initial government estimates, regular employment in the organized sector over the last decade or so grew at only about 1 percent while the rest of the average 6–7 percent growth in GDP came from growth in labour productivity. However, the picture might be more complex. A recent analysis of National Sample Survey (NSS) data suggests that total employment in the non-agricultural organized sector increased by 5.4 million between

2000 and 2005, while the Directorate General estimated a decrease of 1.6 million.[1] Yet even the optimistic interpretation of the NSS data shows that at least one-third, and possibly two-thirds, of the 41.5 million non-agricultural workers in the organized sector have hardly any social and employment security. Properly speaking, they belong to the informal sector, with productivity at about one-fourth the organized sector average. In short, the much talked about growth of the private organized sector under the reform policies of the government has hardly compensated for the shedding of employment by the public sector. Another telling piece of evidence against the belief that corporate-led industrialization and greater direct foreign investment would promote more employment comes from a recent comparison of the various states of India. Gujarat and Maharashtra, long hailed as the most dynamic in these respects, have been among the slowest growing laggards (along with West Bengal) in terms of creating either non-agricultural or manufacturing jobs, as was headlined by a major

[1]K. Sundaram, *Economic and Political Weekly*, 31 May 2008.

daily newspaper.[2] And yet one might ask why the Left Front-ruled West Bengal is trying to emulate them.

Second, while opportunity for regular work expands at a grossly insufficient pace despite the economy's high growth, the government has become increasingly weary of spending more on social welfare heads like health, education, public distribution and social security for the poor. The apparent reasons given are lack of money and a poor delivery system. However, these are superficial justifications and there is a more compelling reason below the surface. Globalization of finance has made the government highly sensitive to the moods of the stock market and the financial sentiments of its major players. With a foreign exchange reserve composed mostly of capital inflows—deposits by non-resident Indians, portfolio investments—large-scale capital flight is always a danger, if the mood of the international institutional investors in the financial market turns sour. The government tries to guard against this by staying on the right side of the International Monetary Fund and the World

[2] *The Times of India*, 7 July 2008.

Bank and following their economic guidelines: minimizing its economic activities, avoiding large fiscal deficits and, in the name public–private partnership World Bank style, it becomes an agent rather than a regulator of private business. It takes the risk and the private sector takes the profit in this partnership arrangement. The cost of this squeeze on public expenditure through lack of social security, education and health falls inevitably and disproportionately on the poor.

Third, there is an apparent macroeconomic puzzle. Slow growth of regular jobs and government expenditure would normally mean slow growth of domestic purchasing power, depressing consumer confidence and expenditure and in turn slowing down the growth of investment expenditure (the so-called acceleration effect in economic theory). Yet the current pattern of growth in India counters this process, not through a compensating expansion of exports because our export exceeds import (that is, the foreign trade multiplier of economic theory works in reverse). This anti-poor growth process relies instead on the rapid expansion of expenditure by the richer groups in society through increasing

inequality in the distribution of our GDP, which raises the income of this class even more rapidly. Increasing inequality is an intrinsic aspect of this process of high growth in India. The corporations sell their products and realize their handsome profits by concentrating mostly on the production of goods consumed by the richer sections of the population. Growth feeds on inequality, and inequality reinforces growth in this manner. According to a recent statistical estimate, 77 percent of the Indian population has less than Rs 20 per capita consumption.[3] Leaving them mostly out in the cold, corporate production for the market concentrates on about one-fourth of the Indian population. On the other side of the equation, the remaining 75 percent of Indians have virtually no place in the corporate-led growing modern economy as consumers. Their space as rural artisan-producers or as small businesses in the unorganized sector also dwindles as the goods produced for the high end of the market can mostly be produced by corporations.

[3] A. Sengupta, K.P. Kannan and G. Raveendran, 'India's Common People', *Economic and Political Weekly*, 15 March 2008.

Thus growing inequality and lack of employment opportunities coupled with an output composition oriented towards a rich minority of this country tend to exclude the majority of our fellow citizens and, in the more extreme cases, directly destroy their livelihood. The big dams we build, the electricity we generate, the world-class cities we want are constructed by diverting resources that provide livelihood for the poor. In exchange the poor only have the sight of the rich class with its increasingly affluent lifestyle, something they can envy or feel angry about but can never reach within the present model of industrialization.

The working people of this country and the labour movements in particular, therefore, have a stark choice to make. They may either forsake the majority of their fellow workers, paving the way for a small minority to join the festivities of high growth. This would weaken the labour movement and its political voice, and hand over the future of this country to a nexus of corporate and political interests. No amount of rhetoric about industrialization, development and the building of capitalism with the ultimate aim of a better future should hide this simple fact from

the working people of this country. Alternatively, people have to fight, not only against this pro-rich industrialization, but to pave the way for an alternative, pro-poor, employment generating development which expands opportunity rapidly at the lower end of income distribution, especially in rural areas.[4] Irrespective of its Right or Left label, no political party that refuses to see the grossly anti-poor character of the current corporate-led industrialization model deserves the support of the poor majority of this country. We must begin with a different interpretation of TINA—*This* Is No Alternative, we need to say unambiguously in one voice. The time is ripe to collectively create conditions for the new alternative to emerge.

[4] See A. Bhaduri, *Development with Dignity*, National Book Trust, 2005.

Some Implications of Economic Openness with Special Reference to India

India over the last two decades has been experiencing high growth, more than double the world average and unprecedented by historical standards. The growth is mostly accounted for by the service sector, with information technology a leading component, and, to a far lesser extent, by the manufacturing sector. However, the agricultural sector has grown very little. Quite remarkably, the contribution of the agricultural sector to gross domestic product (GDP) is now less than one-fourth, but it still accounts for nearly two-thirds of the labour force. The apparent success in terms of the rate of economic

growth without any corresponding pattern of development benefiting rural India, where most of the population lives, is turning this economic success story into an awkward political question: Can the largest democracy in the world afford to continue with a pattern of industrialization which denies most of its citizens the benefits of high growth? This essay analyzes the various interrelated aspects of this question that the country faces in the context of globalization.

A high growth in GDP (around 7–8 percent for India in recent years) but a low growth in employment (slightly over 1 percent) necessarily implies that most of the GDP growth is accounted for by a growth in labour productivity (about 5–6 percent), and not by an expansion in employment. Jobless growth in both China and India is driven mostly by relatively high growth in labour productivity rather than in employment. It is arguable that this emphasis on raising labour productivity at the cost of the level of employment results to a significant extent from the thrust to integrate more rapidly with the world market. As globalization tends to increase the relative importance of the external vis-à-vis the internal

market, the compulsions of globalization take the form of successfully exploiting this greater dependence on the world market through greater international cost competitiveness, and pressure operates to reduce unit cost not merely through wage restraint but also through raising labour productivity.

However, since the size of the total world market is beyond the control of any individual country, especially India, the case is implicitly or explicitly made for focusing on increasing India's share in the world export market. Insofar as the main route for achieving this is greater international cost competitiveness, a host of measures that help in reducing unit production cost become justified. A general aim of all these measures is to achieve wage restraint in relation to labour productivity, and this justifies measures directed towards promoting productivity instead of employment growth while pressing for greater labour-market flexibility. The routes to higher productivity followed by the corporations are many—downsizing the labour force, instituting longer working hours without a proportionate increase in pay (that is, 'efficiency wages', which

help raise productivity in relation to wage rate per worker), voluntary retirements, privatization and casualization of labour contracts. It also involves, through mechanisms of sub-contracting, longer hours of work with no increase in pay in the informal sector (more than 90 percent of the Indian labour force), especially among self-employed workers (the largest category in the informal sector). A common economic thrust of all these measures is to improve 'international cost competitiveness' as the economy becomes more open to world trade.

Macro-fallacy of the micro-logic of management

The principle of applying the micro-logic of corporate management to the economy as a whole for the reduction in labour cost and viewing the whole economy, in effect, as a single corporation is aimed at increasing its international market share by out-competing rival trading nations through cutting costs. This undoubtedly appeals to economic nationalism as well as to untutored economic 'common sense'. This sort of reasoning even underlies the Washington consensus, and many of the 'conditionalities'

set by the International Monetary Fund (IMF) for 'stabilization' and by the World Bank for 'structural adjustment' in developing countries. And yet the reasoning often turns out to be seriously flawed, because the micro-logic applicable to a single corporation might involve some serious macro-fallacies when applied to the system as a whole. This should be familiar from the 'wage cut' controversy because unit cost reduction through measures like wage restraint in relation to labour productivity raises the problem of causing insufficient effective demand as it restricts the purchasing power of the workers in relation to their productivity.

Race-to-the-bottom strategy

This raises a series of related problems associated with openness. It ignores the fact that all countries cannot be winners at the same time in the zero-sum game of competitive cost-cutting to produce the export surplus needed to boost effective demand. Since the shares add up to unity, a larger share for some countries in the global market must mean a smaller share for others, and the export surpluses of some countries must

have their counterparts in import surpluses for others. In this sense, the policy must fail for some countries if it succeeds for some others. It causes, in effect, a 'race to the bottom' as each country tries in isolation to gain a larger share of the world market. In that process, they might be forced to competitively reduce unit costs by cutting wages, lengthening working hours at the same wage, restricting workers' rights, refusing pensions and social security by casualizing labour, etc. In short, increasing the pressure to introduce greater flexibility in employment contracts becomes the name of the game. For developing countries, such a race to the bottom also has a high political cost as it leads to a systematic undermining of their mutual solidarity and makes political collaboration more difficult during international negotiations. Most countries gain little from this race individually, while collectively they lose by competing among themselves, as it weakens their international bargaining position.

Thus, the economic fallacy of composition that results from not taking into account the zero-sum nature of the game of international competition manifests itself as political weakness

in countries' negotiating position in international trade, while at home the race to the bottom erodes the credibility of governments with the poorer sections of the working population. The same logic also applies to competitive concessions to direct foreign corporate investment involving competitive tax breaks, securing labour discipline through the state law enforcement machinery, granting special banking, insurance and other financial facilities to potential corporate investors and other such measures. Particularly telling in this respect is the recent proposal for giving unprecedented concessions in various ways to corporations operating from special economic zones in India (some say learnt from China). In a parallel vein, concessions are also being granted to various corporations for mining rights, mostly over tribal lands. While members of tribal communities were usually not allowed by their customary laws to sell land individually, state governments, aided by federal government policies in India, are acquiring tribal and agricultural land at well below market price, and often forcibly, to hand over as a concession for attracting private corporate investment. A race to the bottom has

started even among the various states in the Indian federal structure for acquiring land in this manner on behalf of corporations.

Value chain in production and intra-firm trade

As a model for organizing production, corporatization and international competitiveness usually involve creating or extending control over a long value chain in production. It can take different forms like vertical integration or various forms of outsourcing and subcontracting to formal or informal subsidiaries. From the point of view of mainstream economic theory of endogenous institutional development, the size of the corporation would be determined by balancing the cost at the margin between producing within the firm (e.g. vertical integration) and procuring or transacting through the market (e.g. sub-contracting to another firm or entity). As the relative importance of the external in relation to the internal market increases under globalization, entering the intra-firm value chain becomes an important reason for favouring investments by multinational corporations. Insofar as developing

countries are concerned, they are usually unable to penetrate foreign markets and the international distribution system without becoming part of established intra-firm trade networks. This they try to achieve by lowering transaction costs in one way or another so multinational corporations are encouraged to set up subsidiaries in the country concerned. And the race to the bottom reappears again in the guise of ensuring lowering transaction costs for corporations, often by forcibly acquiring lands for the extractive mining industry, which would be part of the international value chain. In this process, apart from destroying many more livelihoods in rural areas than creating jobs, this way of becoming part of the corporate value chain typically leads to lopsided development of enclaves for exports without sufficient forward or backward linkages in domestic production. As a result, development fails to spread over a sufficiently wide range of domestic economic activity, leaving out especially the poorer sections of the population. A glittering urban centre or a high-tech exporting zone developing in isolation, and detached from the poverty and backwardness that surround them, often stand

out as glaring symbols of this process in both India and China.

Global finance

The defining characteristic of the current phase of globalization is financial capitalism. It has become globalization's defining characteristic over the past two decades and has its origin in the financial deregulation of capital markets in the mid-1970s in the countries of the affluent west. As is well known, it has over the years phenomenally increased the volume of private trade in foreign exchange denominated assets. In comparison to its daily volume of some USD 1.3 trillion,[1] the total foreign exchange reserve of all central banks together barely amounts to a couple of days of private trade in foreign exchange. In formulating their economic policies, national governments, whether of developed or developing countries, cannot ignore the sentiments of private traders in the financial markets. Expansionary fiscal policies

[1] Bank for International Settlements, Annual Reports 2001 and 2002.

for fighting unemployment through budget deficit or higher taxes on the rich to expand government programmes are generally not favoured by financial markets; instead, regressive tax cuts favouring the rich and stimulation of the stock and real estate markets through monetary or tax policies become preferred options for stimulating demand by governments keen to stay on the right side of the financial markets. Politically, it makes a mockery of the original Keynesian and social democratic vision of cooperative capitalism, in which a neutral state is supposed to follow more even-handed policies benefiting both capital and labour. The typical consequences of abiding by the sentiments of the financial market have been over-sensitivity to inflation, a tight money policy to discourage capital outflows through insistence on greater independence of the central bank and, most importantly, a near paralysis of expansionary fiscal policies through higher government expenditure to fight unemployment. As a result, control of inflation, rather than fighting high unemployment, has become the policy target.

Viewed from this angle, the Fiscal Responsibility and Budget Management (FRBM) Act of 2003

in India has implications that might have been less than obvious at first sight. The Act was not crisis driven but strategy driven because it was enacted at a time when the Indian economy was not facing any particular international payments crisis; instead, the foreign exchange position was comfortable and the stock market was booming. And yet this Act, by crippling government spending in even the most needed areas of social welfare, in effect becomes anti-poor. It is a cruel joke on the poor of India when academic economists talk of inter-temporal optimal choice in public finance involving successive generations in the future, while about half our children in the present generation remain undernourished and India of the twenty-first century heads towards having the world's highest number of illiterates and homeless. The anti-poor face of financial prudence is shown up as it starves the recent National Rural Employment Guarantee Act for funds (with concessions made only as election time draws near). This is particularly unfortunate at a time when the excess demand from higher government spending can be met to a significant extent through the utilization of

existing excess capacity in many of the critical construction materials and wage goods industries, and a comfortable reserve of foreign exchange has accumulated to smooth over particular supply bottlenecks. The standard Keynesian argument has a good chance of succeeding in these circumstances in expanding productive employment without inflation.

The imprint of rising oligarchic financial interests on India's development strategy has been unmistakable in recent years. Things have been gradually developing in this direction for quite a while. India's financial centre, Dalal Street in Mumbai, nose-dived immediately after the 2004 general election results because a few large, mostly foreign, institutional investors began to withdraw from the Indian capital market under fear that a coalition government supported by the Left would be unfriendly towards private business. However, as soon as the United Progressive Alliance government named its top economic team, a trio of the prime minister, the finance minister and the deputy chairman of the Planning Commission, all known for their extreme pro-market, pro-finance and pro-corporation outlook,

the stock markets began to stabilize in no time. Nothing had changed about the ground realities of the Indian economy in those few weeks, but international finance capital needed reassuring political signals. In the process, the future course of economic policies for the country got set. The confidence that this particular team of economic policy-makers enjoys with the IMF and the World Bank is also a critical part of the story because those two institutions are in a pivotal position to influence the perception of private foreign investors like multinational corporations, banks and other financial institutions. Securing and retaining their approval motivated successive Indian governments to accept willingly the FRBM Act, restricting in particular deficit spending for the poor. Similarly, the idea has gained support that the government should raise resources through privatization and so-called public–private partnerships, usually another name for various arrangements in which the risk is public and the profit private. It is specially favoured in developing countries these days by the World Bank, which warns countries at the same time against raising fiscal deficit. Both national governments and

the Bretton Woods institutions agree that governments must remain wary of measures that might rattle the 'sentiment' of the financial markets. The hidden agenda, vigorously pursued by governments of all colours, has been to keep the large private players in the financial markets in a happy mood. Since the private banks and financial institutions usually take their lead from the IMF and the World Bank, this bestows on these multilateral agencies considerable power over the formulation of government policies without their necessarily having to lend large amounts.

The dynamics of growth and inequality under globalization

The growth dynamics in operation are continuously being fuelled by growing inequality in income distribution both in China and in India. This results from a combination of policies like slow growth in regular employment, a largely inactive fiscal stance by the government, which particularly hits the poor through withdrawal of welfare measures and the neglect of peasant agriculture along with the forced displacement of

the rural population in the name of corporate-led industrialization.

On the other hand, with their income rapidly growing, the richer group of Indians demand a set of goods outside the reach of the rest of society—air-conditioned luxury apartments, malls, golf courses, world-class cities where the poor are made invisible, etc. The market for these goods, both private and public, expands rapidly. For instance, recent official statistics point out that more than three out of four Indians have a daily expenditure of less than \$2 in purchasing power parity (about Rs 20), and around 40 percent has just about \$1 a day. They can hardly be a part of this growing market for relatively sophisticated goods. However, the logic of the market dictated by purchasing power relentlessly operates as never before in India. As the income of the privileged rapidly grows, the market for the luxury goods they demand grows even faster (the 'income elasticities of demand' for these goods exceed unity). Thus, the pattern of production is dictated by this process of growth through raising the income of the rich faster than that of the rest of society, while the income elasticities

drive the demand for luxuries even faster than income growth.

The production structure resulting from this market-driven high growth is heavily biased against the poor. While demand expands rapidly for various up-market goods, demand for the basic necessities of life expands slowly under the same market logic. Not only is there little growth in the purchasing power of the poor, but the reduction in welfare expenditures by the state further stunts the growth in demand for necessities. The rapid shift in output composition in favour of high-tech services has contributed to India's recent growth, but is also indicative of the pro-rich bias of this process at the macro level. Specific examples abound. India has state-of-the-art, corporate-run, expensive hospitals, nursing homes and spas for the rich but not enough money in rural health services to control malaria and TB, which require far less expensive treatment. So they continue to kill in large numbers. Lack of sanitation and clean drinking water transmit deadly diseases especially to small children that could be prevented at little cost, while bottled water of various brands multiplies for those who can afford it.

Over time an increasingly irreversible production structure in favour of the rich is beginning to consolidate itself in India. The investments embodied in the specific capital goods created to produce luxuries cannot easily be converted to producing basic necessities. 'Capital' accumulated over time is not malleable in this sense. And yet it is the logic of the market to direct investments towards the most productive and profitable sectors for 'the efficient allocation of resources'. The price mechanism sends signals to guide this allocation, but the prices that rule reflect largely the increasingly unequal distribution of income in society.

The composition of output

The content of growth is determined by the composition of output demanded by the rich. These goods are hardly producible by village artisans or small entrepreneurs, who find no space either as producers or as consumers; instead, economic activities catering to the rich have to be handed over to large corporations for whom space is increasingly vacated. Accelerating growth and rising inequality begin to work in unison.

Corporations are needed to produce goods for the rich, and in the process they make their high profits and provide well-paid employment also for the rich, who in turn provide part of a poor country's growing market for luxuries. It becomes a different process of creative destruction: creation of corporate wealth through the destruction of the poor, helped by an emerging political consensus cutting across traditional Right and Left political divisions. And the multitude of the poor who eke out a living without any ownership or use rights to landed property, like agricultural labourers or fishermen in rural areas or small hawkers in cities, do not even figure in discussions about compensation. And yet they are usually the poorest of the poor, outnumbering by far, perhaps in the ratio of 3 to 1, those who have some title to landed property, and might qualify to receive compensation. Ignoring the poorest sections altogether, the state acquires with single-minded devotion land, water and resources for private corporations in the name of public interest, for mining, industrialization or special economic zones.

Towards an alternative

Industrialization's vocal supporters never stop to ask why the very poor, who are least able, should bear the heaviest burden of economic progress meant for the rich. It has become imperative to face the issue of how economic openness and globalization of trade and finance have exacerbated their poverty. Facing the special problems of modern industrialization in the world's largest democracy with an overwhelming population of the very poor might require us to think differently about the issues involved. The alternative has to combine far greater emphasis on the internal market, which caters more to the poor, with decentralized decision-making by local bodies to generate employment in rural areas. The exact combination to be pursued will naturally evolve through experience and experimentation at the decentralized level, but the broad objective must be to think of the pace and pattern of GDP growth as a consequence, and not a cause, of employment growth. The main purpose of such intellectual work is to be able to formulate such an alternative by departing from conventional

wisdom, which is imprisoned by the western model and experience of industrialization. This has to be done because we will otherwise end up brutalizing far too many of our fellow citizens in the name of development. Unless it is realized that India's economic success is heading for a political and human failure, and an alternative is found, economists and politicians will soon be judged as men and women who pretended to be wise but did not have eyes to see or the ears to hear the suffering of the majority of their fellow citizens.

Alternatives in Industrialization

A remarkable convergence has taken place among major political parties in India around the issue of industrialization. The traditional Left is converging rapidly with the Right, and irrespective of their stated political colours, all major parties in parliament are merging into a colourless, homogeneous mass and a common economic agenda. Wasn't it Lenin who said somewhere that economics is nothing but concentrated politics? By that definition, political parties are now almost identical in their 'concentrated politics', their differences carefully restricted to political rhetoric to keep the show

going. The result is mind-boggling double talk. So far as the traditional Left is concerned, first Singur and then Nandigram drove home the point that the Left politicians think the same way as the 'dream team' of economic policy-makers at the centre, who live on the oxygen provided them by the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank. The cultural nationalists of the Hindutva variety become ferociously aware of their culture only when it comes to the Ram Mandir or *Vande Mataram* but surrender gladly to foreign multinationals. The Congress has a remarkably short memory about the Sikh massacre of 1984. The Left parties rightly breathe fire about the Gujarat massacre of 2002 while the Bharatiya Janata Party covers it up with false propaganda and manipulation of state machinery. Then the Nandigram massacre happens in 2007, and the leaders and intellectual faithful of the Communist Party of India (Marxist) (CPM) shirk responsibility, calling it an unfortunate incident that happened accidentally. The police killing of thirteen tribals in Kalinganagar in 2006 bears an uncanny parallel. The Kalinganagar tribals were

refusing to hand over their land to the same Tatas whom the peasants of Singur and Nandigram also resisted. Chronological surveys of field reports make it clear that in all these cases it was a premeditated action by the authorities in power to test the waters and see how far they could go in pushing their version of industrialization. Doubts are bulldozed by blaming those who oppose such policies as anti-industry and anti-progress in a joint chorus by the traditional Right, the tradional Left and those who claim to be in the moderate centre.

And yet industrialization per se is not the issue; instead the disagreement is over the answers to three interrelated questions that lie at the heart of any process of industrialization:

1. Who is the central actor driving the industrialization process?
2. What is the sectoral commodity composition of output produced by industrial growth?
3. And finally, who loses and who wins in this process?

Briefly, the answers to these three questions define the nature and the quality of industrialization,

and its compatibility with the political system. We have much more control over the quality of industrialization now than we had in the nineteenth century. There are various ways of industrializing, as we know from the experiences not only of early capitalism and centralized bureaucratic socialism but also from post-socialist and late capitalist attempts. Industrialization, as these experiences have shown, is not merely an instrument of economic growth but also has inbuilt mechanisms for distributing the costs and benefits of growth. This influences not merely the relative position of the different social groups, but also gives rise to new class configurations that change the nature of the society and polity. (The rise of Nazi Germany following Hitler's Warmacht or 'war machine' industrialization, the bureaucratic central planning of the Soviet Union and the grip of large corporations on American capitalism are cited as examples.) The ruling neoliberal ideology pretends that the benefits of high growth trickle down automatically to the poor, but this proposition is not only empirically dubious, it is politically foolish in a parliamentary democracy because the speed of the trickling

down remains unspecified, while the government has to maintain a minimum degree of legitimacy to win elections.

India's recent high growth accompanying the process of industrialization answers unambiguously the question as to who is in charge of this process. It is led by corporations, which are mostly private. The role that the governments have assigned to themselves both at the central and at the state level is that of a promoter, an agent of private corporations, not one of a regulating mediator between big business and poor people. Thus, we are repeatedly reminded that industrialization has its costs, but it is conveniently left unsaid that the costs must be borne by those who are least able to bear them, the poor and the most marginalized sections of the population. The rich corporations, on the other hand, are subsidized handsomely by the government in various ways. For example, in CPM-ruled West Bengal, for the Singur car project, the estimated subsidy to the Tatas is over Rs 850 crore for an investment of Rs 1000 crore. (When The Tatas shifted to Gujarat, its chief minister Narendra Modi only improved on the performance of the Marxists

in West Bengal.) Similar deals were said to have been made with the two Ambani brothers in Dadri, Uttar Pradesh, and in the Mumbai special economic zone (SEZ) in Raigad, Maharashtra.

In the name of high growth, industrialization works ruthlessly against the poor majority, denying them real political options within the orbit of our existing parliamentary democracy. A spectre of despair and popular anger is stalking many corners of the country. Farmers are committing suicide in hundreds, especially in Maharashtra, Andhra Pradesh, and even in Punjab, because the government wants to usher in a new type of commercial agriculture under the World Trade Organization, with expensive inputs supplied by multinationals, while withdrawing supports and safety nets. In Chhattisgarh, tribals are being forcibly evacuated in thousands from their villages in the name of fighting extremism under the Salwa Judum and carted off to huddle in Vietnam-style concentration camps while the corporations greedily eye their mineral resource rich land. The mineral rich state of Jharkhand is reported to have signed innumerable memorandums of understanding with corporations to exploit

mineral resources either without the knowledge of the adivasis who have lived on it for many centuries, or by manufacturing their consent at gunpoint. Only when the people resist the destruction of their livelihoods with their lives, as in Nandigram or Kalinganagar and increasingly in many other parts of India, are governments forced to take a step backward in this ruthless process of industrialization. The recent episode of the revision of SEZ guidelines is an obvious case in point. It is becoming increasingly clear that ours is not a democratic government working for the people; it works for the corporations in the name of industrialization unless the people are able to resist it.

Since land is a state subject according to the Constitution, acquiring or not acquiring land is the prerogative of the state government. And yet irrespective of their political labels, land is being acquired by various state governments in competitive servitude to win the favour of corporations. This has the full legal and moral support of the central government, but the state has full constitutional power not to oblige (like Nitish Kumar as chief minister is said to have refused the idea of SEZ in Bihar).

Land is being acquired in different guises: for mining, for the location of industries, for large estates and IT parks, and finally for SEZs under the 'eminent domain' clause of the Land Acquisition Act (1894), which allows the state to override private property rights to land in the 'public interest'. Land being the largest primary source of livelihood in the agrarian economy, it becomes the most obvious case of the forcible transfer of resources from ordinary people to private corporations, destroying livelihoods, and displacing huge populations. In this process, the gainers are invariably the corporations and the losers are the ordinary people connected to the land in many ways, the peasants and tenants, agricultural workers and artisans, tribals and fishermen. SEZs have become the most grotesque reminders of the pro-corporate, anti-people bias built into this model of industrialization. Only rising popular resistance could force the government to moderate its stand, but the difference between acquiring land for SEZs and acquiring land for mining or industrialization is very little, insofar as the destruction of people's livelihoods and displacement are concerned. The

issue is therefore not merely SEZs but whether an alternative model of industrialization more friendly to the poor is feasible in today's India. To answer this question, we must consider the second question posed earlier but left unanswered so far: what should be the sectoral composition of India's industrial growth?

Although land is the most visible symbol of the transfer of resources to corporations, the transfer mechanism is more pervasive, working systematically against the poor both directly and indirectly. For instance, the direct bias is seen in plan allocation. Despite over 60 percent of our working population living in agriculture, recent five-year plans under different governments could allocate it less than 5 percent of planned investment. The indirect bias operates pervasively through the pattern of consumption and production promoted consciously by the state. Mammoth projects try to create the impression of urban glossiness with fancy malls, underground metros, flyovers, etc. at great public cost. We take it for granted that many of these public utilities are essential for efficiency, saving time in travelling, improving the quality of life, even for attracting

investment. But it is in rural India, where the majority live, that higher efficiency and a better quality of life are needed even more desperately.

The promotion of such consumption and production patterns does not merely breed inequity, it is detrimental to real development involving the poor majority. It certainly benefits the urban elite and leads to uncontrolled urbanization and mega cities with a growing hunger for energy, water and urban housing space. We are told that world-class cities are our goals, so slums have to be cleared without providing resettlement. Livelihoods of both urban and rural communities have to be destroyed for expanding and modernizing our cities. In the process, the modes of transport we are creating, with more flyovers for cars, bigger airports and shopping and housing complexes, become increasingly energy intensive, and the majority of our citizenry does not consume them but still pays, directly or indirectly, for this pattern of consumption. This is why farmers get less water for cultivation, are starved of electricity in critical periods and why clean drinking water and proper sanitation remain a luxury in Indian villages.

The deepening crisis of Indian agriculture is largely the accumulated result of this bias. With almost two-thirds of our workforce in agriculture producing hardly over one-fourth of national output, output per worker in agriculture is about 40 percent of the national average today; it was about 48 percent in 1993–94 and over half in 1987. In contrast, industry and service have a labour productivity double the national average and the gap between the agricultural and the non-agricultural sector is steadily growing. Direct estimates indicate that labour productivity in manufacturing has nearly doubled since 1991 while in services it increased even more; in agriculture, it increased not even by 10 percent during this period .

This is the result of two sets of factors. On the one hand, selected non-agricultural products consumed typically by the rich command higher and higher prices (think of real estate, cars, restaurants, etc.) as the rich become richer with even more purchasing power to buy these goods. This is a vicious circle of cumulative causation, of mutually reinforcing positive feedback created by economic liberalization with little concern

for the poor. Higher growth is then achieved by transferring more and more resources to the so-called high-productivity sector, producing for the rich in the name of comparative sectoral advantage, while the higher demand from the rich keeps the apparent sectoral productivity and corporate profits high. It enormously benefits large corporations which organize this pattern of production for profit, and the privileged sections in India rejoice at the economic progress the country is making.

The other side of the same process is to deny resources to the poor in the rural economy because they have no purchasing power, and economists could explain this away by the relatively low comparative sectoral productivity of agriculture. So, money is not found for basic health or education in rural areas, or for two square meals daily for children, or for local investment to enable the panchayats. The annual tax concessions to big business originally envisaged in the SEZ proposal are estimated to have been about five times the annual National Rural Employment Guarantee Scheme (NREGS) budget; the total could feed some 55 million people a year!

It is foolish to expect that despite all the subsidies and transfers in its favour, corporate-led growth can create enough employment to transfer sufficient labour from agriculture to industry and services in the foreseeable future. Corporations are in the game of profiteering by cutting costs, including labour costs. They create more output per worker but not much employment. One example is Tata Steel in Jamshedpur, which increased its annual production five times, from 1 to 5 million tons, between 1991 and 2005 but nearly halved its workforce from 85,000 to 44,000. Consequently, India's record of employment generation in the organized private, specially corporate, sector in recent years has been dismal. It should be realized that the more we unconditionally accept the logic of corporate growth and globalization, the stronger will be the depressing effect on employment generation. In particular, the increased relative importance of the external over the internal market due to globalization will mean cutting labour costs even more drastically for corporations to be internationally competitive. It is not an exaggeration to say that the current model of

industrialization resembles a process of internal colonization. It needs forcible displacement of tribals for control of their land rich with mineral resources; it means destroying the livelihood of peasants and others connected with land to make place for industry; it means dispossessing peasants, boatmen and fishermen to set up large dams on rivers for hydroelectric power to feed large corporations and big cities. It is a pattern of growth which colonizes agriculture and the poor in the countryside to make way for corporate-led industrialization.

An economic alternative creating another kind of development is imperative. It is feasible, and elements of it exist even in the present politico-economic system. Very briefly, it has to be based on three basic premises. First, we must learn to rely far more on the internal rather than on the external market. The biggest driving force of the internal market is the purchasing power of ordinary people derived from employment growth. Growth of the internal market through rapid employment growth, requiring a far more selective approach to public policy in general and globalization in particular, is essential.

Second, economic growth must be seen as the outcome of employment growth. Our benchmark should be a time-bound programme for full employment. How much the growth in employment would contribute to growth in output depends on how productively labour can be employed. India performed poorly in this respect because a bureaucratized system of central decision-making without any participation by the people killed local initiative. We have to start by simultaneously rejecting both the socialist orthodoxy of central planning as well as corporate-oriented neoliberalism. On the one hand, we have to get out of the grip of corporate-led industrialization by making agriculture and the rural economy the centre of economic dynamism, and on the other, we have to break the grip of the current centralized bureaucratic decision-making. A start can be made here and now by extending the present NREGS to an ambitious, time-bound, full employment programme, and delegating much of the decision-making power to panchayats and local bodies. They must have maximum freedom and responsibility to identify, formulate and execute local employment-

generating, productive projects. A pre-condition for this is fiscal autonomy for the panchayats. No government, central or state, has been willing to do this yet, although the provision was made in 1993 for a finance commission to make panchayats financially self-sufficient. Kerala's record in this regard has been the best while that of West Bengal has been among the worst. Acknowledging that the Left Front played a role in getting the National Rural Employment Guarantee Act (NREGA) enacted, it is shocking that only 14 percent of the money allotted under the Act to the poorest district of Purulia was spent until December 2006; more than half the money the centre provided remained unspent in the state, and not more than sixteen days of employment were provided, while the legal and financial provision allows for 100 days. (Reports from other states show a more or less similar situation with the exception of certain areas.) Had the governments involved shown the same zeal in making a success of the NREGA as they have shown in acquiring land from unwilling peasants, we would have taken at least the first step towards a genuine process of development.

Finally, there is the question of finance. Where would the money come from for such an ambitious employment programme, and how is the government to make sure it is spent effectively? The 2003 Fiscal Responsibility and Budget Management Act, which ties the government's hands over spending money for such pressing needs as employment guarantee, must be scrapped. With this Act, the centre pushes privatization to raise money, denies basic health and educational expenditure, and restricts the role of public policy in the name of financial discipline. This well suits the IMF, the World Bank and the national and multinational corporations, which want the state to promote but not regulate them. This is where the Left should have had its biggest battle, and insisted that money needed for employment, basic education, health and the social security of unorganized workers must be found, if necessary by revising this law. Because such a fight would have brought to the forefront the bigger issue of redressing the existing bias in resource transfer against agriculture and the poor. Instead the Left went all along with the neoliberal economic ideology in the states

where it had power. Their occasional whimper of protest in parliament convinced nobody because their attempts to promote corporate-led industrialization in the states they ruled eroded completely their credibility.

The money for employment generation, once secured, can be kept in a separate account in nationalized banks with a credit line extended to panchayats. This would avoid a duplication of institutions while a system of mutual checks and balances between panchayats and local branches of nationalized banks can be devised based on their performance as borrowers and lenders. Banks would lend the next round only if the previous project succeeded, and panchayats could borrow the next round only if the money was well spent. It might turn out to be a situation akin to 'repeated games' in which both sides gradually learn to recognize the mutuality of their interests, paving the way for genuine cooperation over time. It is this mutuality of interest which has to be learnt and strengthened to create new institutional ways of sustained, decentralized financing for development.

A programme of decentralized, employment intensive, rural industrialization through participatory democracy at the local level is no utopia. It is the compulsion of our time. It is the only process of industrialization that this vast and meandering democracy of enormous poverty can sustain and strengthen to give dignity to all its citizens. The quality of our industrialization would have to improve through improving the quality of our democracy as the two would gradually reinforce each other. However, to pretend this can be achieved through corporate-led growth, no matter how high, is to live in a make-believe world. It is a world which will collapse under popular pressure and make space for this alternative model of industrialization to serve not the corporations but the poor people of India.

The Imperative as an Alternative

Are special economic zones (SEZs) necessary to ensure that the Indian economy stays on a high-growth path, generating economic development in the process as well? This essay argues that such is not the case at all.

Developing countries today are confronted by a serious dilemma. In the current phase, the emerging rules of globalization are increasingly occupying the policy space of the nation state. And yet the global rules of the game are flawed and biased in favour of the richer countries, especially the United States. The dilemma arises because the developing countries tend

to feel that there is no alternative to accepting globalization in its present form, the so-called TINA (There is No Alternative) syndrome of a unipolar world dominated by the US. They do not realize that they can hardly rely on the national interests of this superpower to further their own developmental objectives. A couple of well-known examples illustrate this point.

To start with, consider world trade. Fairer global trade in agricultural commodities, without open or hidden subsidies to farmers in richer countries, is required not merely for a freer trade regime, it also affects the one billion poorest people in the world, most of whom are directly or indirectly connected to agricultural activities in the rural areas of developing countries. There is hardly any other trade-related example with greater compatibility between a more efficient international price mechanism operating through freer trade, and greater global equality and economic justice. And yet international negotiations governed by the richer nations' corporate interests recently reduced global rule-making to a 'tit for tat' strategy that led to a breakdown in negotiations, and the tendency to

impose policies decided by richer, more powerful nations.

There are other examples of imposed rather than negotiated policies. Both the Bretton Woods institutions, namely the International Monetary Fund (IMF) and the World Bank, manipulate economic policy in developing countries through their standard, pro-market loan 'conditionalities'. Defending the imposition of these on developing countries, both institutions place great emphasis on the principle of accountability to the market. Ironically, however, they themselves remain totally unaccountable for their performance and recommendations, no matter whether an economic collapse occurs under their guidance in Argentina, or an acute financial crisis erupts in East Asia, or years of stagnation continue despite large-scale IMF/World Bank–sponsored liberalization in sub-Saharan Africa. (In East Asia, the only country to largely escape the collapse was Malaysia, which openly went against the IMF prescriptions. Argentina recovered from the acute crisis only when it refused to bend to the IMF dictates)

Presidents of the World Bank are chosen from the US, by the US and for the US, in the name

of global development—a blatant assertion of the power of imposing rules that rich nations have over poor ones. (One of the presidents was known for war-mongering in Vietnam, another in Iraq.) This power arises to a large extent from several historically inherited, structural asymmetries underlying the present world capitalist system on which is premised the current process of globalization. Without identifying them clearly, it would appear that this process of globalization, led by the interests of the rich, is a natural phenomenon, somewhat like an earthquake or a drought, whose consequences have to be accepted because they cannot be controlled. We would be in a better position to integrate strategically with the global economy to our advantage, instead of meekly submitting to it, if we understood these structural asymmetries.

To begin with, the most fundamental asymmetry in the world economy arises today from the freedom of movement of capital, especially financial capital, on the one hand, and the restrictions on the movement of labour on the other, especially unskilled labour from developing countries. Despite vast improvements in travel and

communications technology, available estimates suggest that labour migration as a proportion of the total world population has been lower in globalization's current phase (approximately from 1973 to date) compared to its earlier period (approximately 1870–1913).

On a rough reckoning, about one in six persons crossed national borders for employment or livelihood between 1860 and 1900. They went as indentured labour from China and India, as colonial settlers from Europe to North, Central and South America and to Australia. Over a comparable period of nearly five decades of the current phase of globalization, not more than one in seven persons migrated. Contrast this relatively sluggish movement of labour with the movements of capital, especially financial capital, during the current phase of globalization. Rough estimates available from the Bank of International Settlements suggest that the annual volume of private trade in foreign exchange is about USD 450 trillion, almost nine times the volume of world gross domestic product (GDP). Of this, less than 2 percent is accounted for by trade in goods and services, and even if one were to add

all direct foreign investment, it would still be well below 4 percent. So, purely financial transactions account annually for over eight times the world GDP. (By contrast, in the era of regulated finance in the early 1970s, only about 10 percent of all international transactions were financial.)

A few days of hostile private trade in the foreign exchange market can wipe out the entire foreign reserve of all the central banks in the world. The defining characteristic of the current phase of globalization has become this overwhelming dominance of private trade in finance. The world has not seen anything like this before.

The rise to ascendancy of international finance commenced with the successive waves of the liberalization of the major capital markets of the advanced capitalist countries, starting around the mid-1970s and assuming irresistible momentum by the early 1980s. The entire process was further stimulated by the internet boom of the 1990s and by rapid advances in telecommunications technology. Although little explicit note is taken of its implications in public discussions and government pronouncements, its imprint has been deep on the pace and pattern

of world development in general and of Indian development in particular.

Economic policies are increasingly formulated by the Indian government with a view to appease the sentiments of financial markets. The English-language media, especially the electronic media, which shapes Indian middle-class opinion, tends to behave as if the daily fluctuations of the stock market provide a barometer of the health of the real economy. However, the Indian stock market is minuscule in relation to the vast size of global private trade in foreign exchange. The rupee and Indian stocks can easily be set into an uncontrollable downward spiral by a few large international players speculating against some Indian stocks or the rupee.

The critical role of the IMF and the World Bank is not to be overlooked. Since those two institutions are in a pivotal position to influence the perception of foreign private investors about a country's investment climate, they exert a significant influence on financial markets. If the economic policies of a government are favourable to corporations, it generally gets a clean chit from the IMF and the World Bank, encouraging capital

to flow in to stimulate the stock market. With an unfavourable signal from these institutions, the government runs the risk of capital flying out in a destabilizing manner. This, not merely free trade, is the name of the financial game under globalization; the IMF, the World Bank and all those suffering from the TINA syndrome would like us to believe this is indeed the only game in town!

Meanwhile, it is becoming increasingly apparent that in the name of development, policies of developmental terrorism on the poor are being pursued, such as the Fiscal Responsibility and Budget Management (FRBM) Act of 2003, which curtails government spending in the social sector. Such policies might deliver high growth in the short term, but it is growth without democratic content. It does not reach the poor citizens of India who need to benefit most from the process of growth. This is why each and every government that followed this sort of policy gets showered with the approval of the corporate sector, the IMF, the World Bank and even the upper middle class but loses the general election. And, when it wins elections, pro-poor populist

gestures are made just before the elections going diametrically against these policies. Learning from this, however, would require going against the hidden script of globalization by upsetting the alliance between large domestic industrial houses, multinational corporations and banks, including the IMF and the World Bank, and a pliable domestic government, irrespective of the political label.

The second important asymmetry in the current phase of globalization arises from the increasingly freer flow of trade in goods and services on the one hand, and the growing restriction on the transfer of knowledge and technology embodied in the production of those goods and services on the other. In the emerging regime of Trade Related Intellectual Property Rights, or TRIPS, all developing countries, including India, find it increasingly difficult to learn and adopt the production technology embodied in the goods and services they import.

Thus, the more 'liberalized' trade regime of the World Trade Organization puts India under increasing pressure to import goods and services rather than produce them at home. It

is conveniently forgotten that international trade has been the vehicle for learning the technology embodied in traded goods and new products throughout history. The learning processes involved in international trade may well be the most important dynamic gains from freer trade, far outweighing the static gains of existing comparative advantage.

By treating knowledge more and more as simply a privately tradable commodity, the current trade regime shows its bias towards corporations, which as generators of knowledge are to be handsomely rewarded, but forgets the importance of other sources, like traditional, community-based knowledge, to the detriment of many indigenous communities. This, however, does not stop globally powerful drug giants from engaging in biopiracy by relying on precisely the knowledge of herbs held by the tribal communities of this country!

It is in this context of freer trade in goods and services that the economic consequence of globalization in terms of the increased relative importance of the external vis-à-vis the internal or domestic market needs to be examined. It has

influenced thinking on macroeconomic policy in a way which is seldom highlighted. It emphasizes the importance of reducing the costs of production through more efficient supply-side policies for increasing the international competitiveness of the national economy, but ignores the problem of creating adequate purchasing power and aggregate demand, because of the relative neglect of the domestic market.

This shift of emphasis from domestic demand to external market and international cost competitiveness raises concerns about labour market 'flexibility' and various forms of wage restraint. It is ignored that lower wages tend to depress the unit cost of production but also bring down domestic consumption demand from wage income. Consequently, unless either higher luxury consumption, investment or increased export surplus make up for that reduction in consumption demand in a regime of investment- or export-led growth, insufficient aggregate demand at home would set the binding constraint on development.

Similarly, the emphasis on increasing output (the value added) per worker or labour productivity

(by reducing labour cost) and using this as a tool for enhancing international competitiveness has its downside. Attention focused only on labour productivity separates it from the level of employment in the economy. Thus total output would decrease despite an increase in productivity if the percentage decrease in the level of employment exceeded the increase in labour productivity. Consequently, the corporate strategy of 'downsizing' the labour force to create a 'lean and efficient corporation' for increasing market share might turn out to be good for a particular corporation but macroeconomically counterproductive if many corporations did so simultaneously with a shrinking of total supply and of the size of the domestic market.

Such policies of reducing unit cost in search of greater efficiency are effective on the microeconomic scale of a single corporation but counterproductive on the macroeconomic scale due to their effect of depressing aggregate demand. The blurring of this distinction between micro-level and macro-level efficiency, typical of corporate ideology, gives rise to many 'fallacies of composition' in macroeconomic policy by

assuming that the individual microeconomic 'parts' have the same properties as the macroeconomic 'whole'. In actual fact, the whole is different from the sum of the parts.

The third asymmetry in the current phase of globalization arises from the role assigned to the state in monitoring and regulating economic activity. Market-oriented neoliberal philosophy intends to curb the role of the state as an economic actor but gives rise to an almost schizophrenic view of its capabilities. It is usually claimed that the state cannot be trusted with expansionary, monetary and fiscal policies (which the FRBM Act mentioned earlier seeks to address) because it has an inbuilt tendency to be financially irresponsible. At the same time, however, the same state is relied upon to undertake far more complex financial tasks like extending the scope of the market though privatization without corruption, regulating the stock exchange, etc. This schizophrenic view about its capabilities is rooted in denying the state its developmental and distributive role but using it to promote the reach of multinational corporations through measures like privatization.

This also poses the most serious challenge to our democratic form of government. It leads, in the case of India, to the most fundamental asymmetry in the relation between our political democracy and the market mechanism. In neo-liberal philosophy, the free market and democracy are considered mutually reinforcing as both extend the scope of individual choice. And yet the types of freedom granted by the market economy and political democracy are often in conflict in developing countries. The democratic principle of 'one adult, one vote' coexists rather uneasily with the free market philosophy that the rich, with greater purchasing power, would have more 'votes' than the poor in the marketplace.

This asymmetry becomes even more acute when, with greater and growing inequality in the distribution of income, a larger proportion of the poor have political voting rights but are economically without a 'voice' in the market. In these circumstances, the democratic form of government comes under increasing strain if too much freedom is granted to the market. Yet the process of globalization relentlessly generates a situation in which national governments (having

already succumbed) end up having little control over the free play of global market forces as they impinge on their own country.

As a matter of fact, the history of the relation between economic development and democracy has been far more complex than the currently fashionable 'political correctness' would have us believe. Historically, the per capita income of the western countries had to reach a minimum of 2000 dollars annually before anything close to universal suffrage was granted. This was a high level compared to India's 200–250 dollars around the time of our first general election in 1952 (measured in 1999 at purchasing power parity or PPP calculation).

It is an achievement unparalleled in recorded history for India to have sustained political democracy at that level of poverty despite the country's tremendous diversity. Today, democracy in our country needs to control the excesses of globalization and the corporate domination of our economy. Our democracy has to ensure that the process of growth is not corporate-driven but is decentralized and led by rural employment in order to allow for the widest participation of our

citizens. Only then will the wealth created by growth be fairly shared, and growth itself will have a democratic content. It will be a growth of wealth created by the people, for the people. This compulsion of our time can neither be met by globalization nor by corporate-led growth supported by the government. Unfortunately, neither the Right nor the Left seem to have woken up to this challenge for a pattern of development that gives dignity to all citizens.

If multiparty parliamentary democracy means giving people a wide range of political choices, we have it in plenty in India. However, if we have to also choose content in critical areas of economic policy, there is hardly any choice left. A marked convergence among political parties is taking place, less apparent in their rhetoric but unmistakably clear in their actions. One could believe that this is the result of the compromises of coalition politics at the centre. But when the same thing happens at the level of the states, and political parties of different labels follow with equal vengeance the same economic course, no room is left even for illusions.

Grand terms like 'growth', 'industrialization', and 'development' are used by politicians with

abandon these days to hide the poverty of their economics and politics. But the central question remains unanswered. If a high rate of growth of a particular sort necessarily entails a certain type of industrialization, is this industrialization synonymous with development?

The type of industrialization India is experiencing with recent high growth has three characteristics that are unmistakably neoliberal. First, it is led by corporations. Second, they are mostly private corporations. Third, the role that the government plays at the central and at the state level is that of a promoter, an agent of private corporations, not one of a regulator. In this, all parliamentary political parties seem to agree. We are repeatedly told that sacrifice is needed for this industrialization, but it is left conveniently unsaid that the sacrifice must be borne by those least capable of bearing it, the poor and the most marginalized. Rich corporations need not sacrifice. Instead, they are subsidized by the government. In this world of neoliberal harmony, parties of different shades insist that corporate-style industrialization with the state as its agent is our only option. At the same time,

the Indian polity, with an increasingly inequitable economy, thrives in the name of high growth, industrialization and 'development', working ruthlessly against the poor majority.

Political hypocrisy is particularly evident when it comes to land acquisition, a state subject according to the Constitution, and all the rhetoric about the centre–state division of power cannot hide it. Land is being acquired by various state governments in a competitive race to the bottom to win the favour of big corporations. The argument goes, 'If we in West Bengal do not do it, Uttarakhand will,' or, 'We can be more ferocious than Orissa in pleasing the Tatas or the Jindals or whoever else.' This has legal and moral encouragement from the centre, but the state government has full constitutional power not to oblige. Land, as per the Land Acquisition Act of 1894, includes 'everything' attached to it: water, minerals. It therefore becomes the most obvious case of the coercive transfer of resources from the common people (for whom land and the resource base are not mere property but livelihood) to private corporations. Using the same old Act in existence since colonial days, though successively

amended post-Independence, land acquisition is carried out to serve corporate interest, destroy livelihoods and displace people.

It is often said there are invariably gainers and losers in such economic processes, which the economist Joseph Schumpeter long ago captured in the phrase 'creative destruction'. However, in the present context, this is a misleading half-truth. If such creative destruction was just a part of the normal process of capitalistic development, it would have been unnecessary for the state to intervene in the guise of 'public interest' on behalf of private corporations. Land acquisition for industry involves a transaction between two private parties, the corporation and the landowning peasant. The function of the state should be to ensure that this transaction is voluntary, particularly because one party is economically far weaker. This would mean that corporations would acquire land at a price at which the peasants were willing to part with it, either individually or through collective decisions, the latter being especially relevant in the case of tribal land. Instead, what has been happening is that the state is using force and violence under a

cloak of secrecy despite the Right to Information Act.

Although land is the most visible symbol of resource transfer to corporations, the problem goes deeper. The bias against the poor in policy-making is both direct and indirect. The direct bias is visible in plan allocation. Despite 60 percent or more of our working population depending on agriculture, all the recent five-year plans under different governments have allocated less than 5 percent of planned investment to agriculture. The indirect bias operates pervasively through a pattern of consumption and production promoted by the state: mammoth projects, world-class cities, fancy expressways, underground metros, flyovers, etc. all built at public cost while 25 to 60 percent of the urban population lives a subhuman existence in slums. When the time comes for a beautification drive, the slums are the first to be cleared, without providing their inhabitants with resettlement options—banishing poverty, if only from sight. Millions suffer.

Our pronounced bias against agriculture and the poor has given us the idea that industry is more efficient than agriculture. With almost two-

thirds of our workforce in agriculture producing under a fourth of the national output, output per worker in agriculture is about 40 percent that of the national average. In contrast, industry and services have a labour productivity double the national average. This is also an old game of attributing 'value' to selected products and services so that higher growth is achieved by transferring more and more resources to the high-productivity sector and by favouring the large corporations that organize this pattern of production for privileged India. The other (much larger) India watches in despair and anger, while many are driven to feel they have no choice but to commit suicide. Must we not strive for an economic alternative on the basis of a new politics?

An economic alternative stimulating another kind of development is feasible. Elements of it exist even in the present politico-economic system. Very briefly, it has to be based on three fundamental premises. First, we must learn to rely far more on the internal rather than the external market. The biggest driving force of the internal market is the purchasing power of

the ordinary people, derived from employment growth. India's record on this score has been dismal in recent years. An 8 percent growth in output has been accompanied by a barely 1 percent growth in regular employment, and an increase in irregular or ancillary employment is marked by flexible contracts loaded against the worker with insecurity and overcrowding of infrastructure.

It is foolish to expect that corporate-led growth can perform better on the employment front because corporations are in the game of making profit by cutting costs, including labour costs. And the more we unconditionally accept globalization, the stronger will be the relative importance of the external over the internal market. This means cutting labour costs in order to increase exports will become even more pressing. Primacy to exports also means priorities in production going against the needs of the domestic population. The growth of the internal market through rapid employment growth, therefore, requires a far more selective approach to globalization.

Second, economic growth must be the outcome of employment growth, not the other way round,

and the former should never be at the cost of the latter. Employment growth in the 1980s was twice what it is now, even though the GDP growth rate was a little more than half what it is today. Our benchmark should be a time-bound programme for full employment. How much the growth in employment contributes to growth in output depends naturally on how productively labour can be employed. India has performed poorly in this respect. The main reason is a bureaucratized system of central control, which kills local initiative. We have to start at the opposite end of socialist orthodoxy, not by accepting neoliberalism but by forging a new combination altogether.

On the one hand, we have to get out of the grip of corporate-led industrialization by making agriculture and the rural economy the centre of economic dynamism; on the other, we have to break the grip of current centralized bureaucratic decision-making. This can be done by extending the present National Rural Employment Guarantee Scheme to an ambitious, time-bound, full employment programme. It will involve direct decision-making power for

the panchayats and local bodies to identify, formulate and execute local employment-generating productive projects. A precondition for this is local control over local resources related to land, and maximum fiscal autonomy for the panchayats. Even the Constitution, through Article 243, provided for a finance commission to support and ensure that village-/ward-level local bodies become financially viable. It was to be appointed in 1993. No government, central or state, followed this up seriously.

Finally, there is the question of finance. Where would the money come from for such an ambitious employment programme, and how to make sure it is spent effectively? The FRBM Act, which ties the hands of the government in spending money for the country's most pressing needs like the employment guarantee scheme, must be scrapped. With this Act, the centre pushes privatization to raise money, denies basic health and educational expenditure, and restricts the role of public policy in the name of financial discipline. This suits well the IMF, the World Bank and the corporations which want the state to promote not regulate them.

To ensure fiscal autonomy for local bodies, their budget can be kept in a separate account in nationalized banks with a credit line extended to panchayats. This would avoid duplication of institutions while a system of mutual checks and balances between the panchayats and the local branch of nationalized banks can be devised based on their performance as borrowers and lenders. Banks would lend the next round only if the previous project succeeded, and panchayats can borrow the next round only if the money was well-spent. It is this mutuality of interest which has to be strengthened over time in creating the new form of sustained financing for development.

Regardless of whether the growth is 6, 8 or 10 percent, these measures would initiate a process that empowers the poor, imparting a genuine democratic and participatory content to India's development. If our political parties, policy-makers and bureaucrats could reach a consensus and display the same collective commitment to the participatory approach outlined in this essay that they have hitherto shown in achieving corporate-led high 'growth at any cost', at least

five desirable goals of development in the country could be attained.

First, easy as it might sound, unemployment and poverty can be eliminated within the foreseeable future. Second, by putting purchasing power in the hands of the hitherto destitute, the domestic market for industrial products and basic needs can be developed, creating a fresh source of healthy growth for industry and the macroeconomy. Third, through public works programmes that the rural poor will execute, infrastructure (like roads, irrigation, etc.) can be strengthened and expanded. Fourth, priority environmental projects (such as watershed development, afforestation, groundwater recharge and soil conservation) can be undertaken to stem and reverse the worsening ecological crisis the country will face in the imminent future. Finally, by generating employment in the countryside, the policy will reverse the flow of distress migrants to the cities (saddled as they already are with burdened infrastructure). In fact, it is difficult to conceive of a single policy which could meet so many desirable goals at one stroke.

SEZs are simply not needed to find such a

growth-and-development path. They are likely to become a serious obstacle instead. There are times in history when what is desirable is also imperative. The alternative development model to a socially and environmentally destabilizing and destructive growth stares us in the face. Would we have the courage to embrace it before it is too late?

The State and Its Stepchildren

Amit Bhaduri and Medha Patkar

One of the most influential philosophers of the twentieth century, Ludwig Wittgenstein, warned us how language can mislead and trap our thoughts. We are reminded far too often of this warning when we are dubbed 'anti-development', 'anti-industrialization', 'romantic' environmentalists for our proposal for an alternative industrialization. In most people's minds, industrialization conjures the image of sophisticated manufactured goods, highly mechanized heavy industries, large IT parks with imposing infrastructure or world-class cities, airports and luxury apartments. While the

toiling masses seldom figure in this image, the beneficiaries do, as the rich consumers of these goods and the relatively fortunate skilled workers who are absorbed in these enterprises.

We have aimed at this form of industrialization since independence, switching to a fast track in the recent decades of liberalization. And yet India has remained an overwhelmingly poor country. Three out of four Indians have a purchasing power of not more than Rs 20 per day. At the same time, a large percentage of our population still makes its living off common natural resources like land, water, rivers, forests and fish. Their vast manpower receives neither market recognition nor value addition for their critical investment that sustains the 'natural' economy. If we have to think of industrialization in democratic India, we cannot ignore the fate of this majority of our citizenry and its vast potential. The right question to ask, therefore, is not whether to industrialize or not, but how industrialization can proceed by tapping the enormous productive potential of the people.

This question also goes to the heart of why tensions are rising over policies of land acquisition and displacement in the name of industrialization,

special economic zones and mining, while popular resistances are gathering furious momentum across the country. Those who are dispossessed hardly figure as direct and major beneficiaries of industrialization, and yet they bear a disproportionate burden of its cost. Although dalits and adivasis, the poorest and most oppressed, constitute about one-fourth of the population, they are estimated to be close to forty percent of those whom industrialization in its various forms has dispossessed of land, livelihood and habitat. When destruction of the natural economy systematically targets the poor and their life-supporting natural resource base, only to create more wealth for the already wealthy, the dispossessed see no possibility of their benefiting from industrialization for generations. The consequence is popular resistance rather than support for the current style of industrialization in various shades. They may be at times spontaneous or organized, local or not so local, peaceful or at times violent.

Today, the signs of destruction loom nowhere larger than in agriculture. India is dying rather than living in her villages. Every thirty minutes, a farmer commits suicide. Natural resources

indispensable for people's survival—land, water, forests, private and what used to be common property—are being forcibly acquired by the state to be handed over, veiled in opaque deals, to the Tatas, the Ambanis, POSCO, Coca Cola, the mining giants and others. Resistance is met with brutality. When, recently, the gram sabha in Kathikund, Jharkhand, refused to hand over land in the name of development, two adivasis were killed in police firing. Others were wounded and jailed. Systematic violence and threat of violence at times direct, at other times silent and indirect but no less vicious is being used by the state under the guise of liberalization, privatization and globalization to dispossess millions who live traditionally on a natural resource base, forcing them to abandon rural livelihood based on agriculture, horticulture, fishing, craftsmanship, cottage or small-scale industries. Set adrift to end up in the cities, the dispossessed are now condemned for being poor. The miserable living spaces they manage to create are at perpetual risk of being bulldozed in the name of some 'illegality' or 'encroachment', defined by the expropriators of their traditional livelihood. The extremist political

resistance in response has gained ground in at least one-fourth of the landmass at the very heart of the country. Millions involved in various local struggles and people's movements over apparently diverse yet linked issues are beginning to shape a new politics.

If we want to understand the motive for such dogmatic discrimination, we will find it linked to the process by which India created so many billionaires so swiftly, with political corruption in high places. India, we are told, is a winner in the global economic race, propelled by money and a market economy. A large section of our agrarian economy is unable to participate effectively in the globalized world; instead, it is literally looted in a game with rules with which they are unfamiliar. Industrialization has been exceptionally generous to a small minority that is accumulating enormous wealth and buying and taking over communities, even their civilizations. The victims are marginalized, left illiterate and undernourished, dispossessed of resources and any steady source of livelihood. At the most, some of the victims will live on bureaucratic charity, supported by meagre social security and

an employment guarantee for 100 out of 365 days, which seldom creates productive capital. They would be incapable of participating—let alone competing—in the global market.

An alternative has emerged, and people's movements need to crystallize around it. It could turn our weakness into our strength by starting at the most vulnerable points of our economy. The alternative way of industrializing would involve the poor and the illiterate, who constitute the skilled and semi-skilled labour force, operating in their traditional environment. Through a productive full-employment programme, they could become a propelling force for the creation and distribution of wealth. Existing livelihoods would not be destroyed in this process without people's consent and generating local employment would ensure that its beneficiaries would have not just a habitat but also an alternative livelihood. In the present Indian context, this specifically means that industry should come up on vacant and uncultivable land while the productivity of cultivable land should be increased. Decentralized, efficient and participatory management of land, water and tree-cover with human power can

achieve this. Alternative industrialization begins by giving agriculture the attention it deserves. We have to start by extending the employment guarantee scheme everywhere, to urban and rural areas, at a minimum, uniform wage for 300 days a year, available on demand.

With work opportunities conceived by the communities through innovative plans aimed at fulfilling basic needs within a short radius of the village centres, this alternative industrialization would be characterized by labour-intensive technology, small-scale production by the masses and maximum direct linkage between consumer and producer. The large projects, enterprises and heavy industries considered essential would need the consent of the community, compliance with social and environmental rules, justice for both labourers and investors involved in improving the productivity of land and economic viability of community-oriented projects without seeking maximum profit. The guidelines would be environmental sustainability, equity and justice, monitored by wider institutions and agencies that would work with unit tiers like the present Panchayati Raj, with suitable amendments

to draw units on the basis of ecosystem boundaries.

Development has to be genuinely participatory. Plans would be neither accepted nor effectively implemented by the people without consensus. The precondition is decentralization and transfer of power to the lowest level of elected local government, in the true spirit of the Panchayati Raj. Mere political pronouncements, not backed by real intention, cannot deliver. Neither the centre nor the states have been enthusiastic about giving full decision-making autonomy or even a limited financial autonomy to local governments. The legal first step is to actualize the 73rd Amendment with the help of Article 243 of the Constitution. The legal framework exists, but mainstream political parties would rather see our countryside in crisis than give up control to the people. Only irresistible people's movements will make it a reality.

The cost of such an employment programme works out to approximately 6–7 percent of the GDP. We must afford this as the highest priority, increasing the central government budget deficit as and when necessary, by doing away with the

Fiscal Responsibility and Budget Management Act. The funds would be held in a separate account in nationalized banks, and local governments or panchayats would be provided credit lines without interference from central and state governments. The mechanism for supervision would be a system of checks and balances between the banks and the panchayats with a compatible incentive scheme.

This way of industrialization would produce a large range of goods and services for the local market, created through purchasing power generated locally in the hands of the poor. This is the route through which the poor, rejected by today's industrialization, would enter the larger economy with dignity as both producers and consumers. The composition of our national output would change as we put the internal market, constituting many local economies and populated by the poor, at stage centre. The composition of output produced in this manner at the local level would be much less intensive in its use of natural resources. No big dams or ruthless exploitation of natural resources would be needed. To reduce the pace of mad urbanization that sucks

enormous natural resources for a rich handful by dispossessing the overwhelming multitudes of the poor is a task only this alternative can achieve. The domestic rather than the external market must occupy the centre of economic policy, with purchasing power rising at a faster rate at the bottom than at the top of income distribution, and the market used by the poor for local exchanges to suit their needs and priorities. There are isolated experiments where local use of skills and resources has successfully withstood corporate competition. They can be replicated in this alternative process of industrialization.

We live in a time when both centralized planning and corporate industrialization have visibly failed. Even the workforce of the organized sector (less than 10 percent of the total) feels increasingly insecure. Faith in existing paradigms is deeply shaken. The conventional politics of trying to capture centralized power by any means without trusting the creativity of the people has rendered the political parties of both the Right and the Left without legitimacy in the eyes of the people. The time is ripe for a new beginning.

Suggested Readings

On relevant data and statistics, perhaps the best source both in range and consistency is

1. *The World Economy: A Millennial Perspective*. A. Maddison. Paris: OECD Publishing, 2001.

For data relating to India, see

2. *Handbook of Poverty in India*. R. Radhakrishna and S. Ray. New Delhi: Oxford University Press, 2005.
3. "The World Bank's New Poverty Estimates: Digging Deeper into a Hole". S.G. Reddy. www.columbia.edu, 2008.

4. The annual publication, *Statistical Yearbook*, by Tata Consultancy Service is a convenient source of Indian data, as is the *Annual Economic Survey* of the Ministry of Finance, Government of India. The *Alternative Economic Survey* being brought out regularly for the last few years by a research team of independent economists and civil society activists, and published by Dannish Books, New Delhi, provides a much-needed alternative analysis and perspective.

On the relation between ideology and the media, see

5. "The Industrialization of the Mind" by H.M. Enzensberger in his edited essays *Dreamers of the Absolute*. London: Radius, 1988.

On ideology and economic theory, see

6. *A Brief History of Neo-Liberalism*, D. Harvey. New York: Oxford University Press, 2005.
7. "The Economics and Politics of Social Democracy" and "Lessons of the Two Economic Systems" by Amit Bhaduri in the

collection *On the Border of Economic Theory and History*. New Delhi: Oxford University Press, 1999.
8. "On the Rise of Monetarism as a Social Doctrine", A. Bhaduri and J. Steindl. Thames Papers on Political Economy, London, 1981.

On the relation between the market, the state and globalization, a classic is

9. *The Great Transformation*, K. Polyani. New York: Holt, Rinehart and Winston, 1944.

See also

10. *Governing the Market*, R. Wade. Princeton: Princeton University Press, 1991.
11. *Kicking Away the Ladder: Development Strategy in Historical Perspective*, H.J. Chang. London: Anthem Press, 2002.

On financial markets, see

12. *The Myth of the Rational Market*, J. Fox. New York: Harper Business, 2009.
13. *A Demon of Our Own Design*, R. Bookstaber. New Jersey: John Wiley and Sons, 2007.

On issues related to India in particular, see

14. *The Intelligent Person's Guide to Liberalization.* Amit Bhaduri and Deepak Nayyar. New Delhi: Penguin, 1996.

On the relation between land, peasantry and market, see

15. *The Moral Economy of the Peasant.* J. Scott. New Haven: Yale University Press, 1976.
16. "Global Land Grab" A. Spieldoch. *Foreign Policy in Focus,* June 2009.

On issues related to land, globalization and the alternative model of development, see

17. *Development with Dignity.* A. Bhaduri. New Delhi: National Book Trust, 2005.